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# THE VELOCITY FOUNDATION, INC.

## INDEPENDENT AUDITOR'S REPORT AND REPORTS ON INTERNAL CONTROL AND COMPLIANCE

New Orleans, LA

For the Year Ended June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/30/05

**THE VELOCITY FOUNDATION, INC.**

**JUNE 30, 2004**

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**EILEEN  
SHANKLIN  
ANDRUS**  
CERTIFIED  
PUBLIC  
ACCOUNTANT  
A LIMITED LIABILITY  
COMPANY

Member of the  
American Institute  
of Certified Public  
Accountants

Member of the  
Louisiana Society  
of Certified Public  
Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Velocity Foundation, Inc.  
4370 Washington Ave.  
New Orleans, LA 70125

I have audited the accompanying financial statements of The Velocity Foundation, Inc. (The Foundation) as of June 30, 2004 as listed in the table of contents. *These financial statements are the responsibility of The Foundation's management.* My responsibility is to express an opinion on these financial statements based on my audit.

*I conducted my audit in accordance with auditing standards generally accepted in the United States and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.*

In my opinion, the financial statements referred to above present fairly, in all material respects, *the financial position of The Velocity Foundation, Inc. as of June 30, 2004 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.*

My audit was performed for the purpose of forming an opinion on the financial statements of The Velocity Foundation, Inc. The accompanying supplementary information is presented for purposes of additional analysis, and is not a required part of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 31, 2004 on my consideration of The Velocity Foundation's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Eileen Shanklin Andrus  
CERTIFIED PUBLIC ACCOUNTANT  
A LIMITED LIABILITY COMPANY

December 31, 2004

THE VELOCITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004

ASSETS

Cash	\$	7,127
Grant Receivable		44,468
Fixed Assets (Net of accumulated depreciation of \$ 166,427)		<u>389,464</u>
Total Fixed Assets, Net		<u>389,464</u>
Total Assets	\$	<u>441,059</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable	\$	1,122
Other Current Liabilities		31,209
Notes Payable		<u>84,979</u>
Total Current Liabilities		<u>117,310</u>
Net Assets		
Unrestricted		279,281
Temporarily Restricted		<u>44,468</u>
Total Net Assets		<u>323,749</u>
Total Liabilities and Net Assets	\$	<u>441,059</u>

SEE ACCOMPANYING NOTES.

THE VELOCITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	UNRE - RESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Increases in Net Assets			
Support			
Federal Financial Assistance			
Louisiana Department of Education-Child and Adult Care Program	--	\$ 28,749	\$ 28,749
Louisiana Department of Education-Tutorial Louisiana Department of Health and Hospitals	--	14,427	14,427
Youth Educational Services Program	--	68,144	68,144
Youth Educational Services Program-Plus	--	68,333	68,333
Youth Educational Services Outreach - Pre Treatment	--	118,000	118,000
Louisiana Department of Social Services - Summer Camp	--	96,659	96,659
Louisiana Department of Social Services - Office of Family Support - Temporary Assistance to Needy Families	--	28,063	28,063
Local and Other Financial Assistance	--	81,135	81,135
Total Support	--	<u>503,510</u>	<u>503,510</u>
Other Income			
Program Fees	\$ 5,142	--	5,142
Donations	<u>57,966</u>	--	<u>57,966</u>
Total Other Income	<u>63,108</u>	--	<u>63,108</u>
Total Increase in Income	<u>63,108</u>	<u>503,510</u>	<u>566,618</u>
Assets Released From Restrictions	<u>510,435</u>	<u>(510,435)</u>	--
Total Increase (decrease) in Net Assets	<u>573,543</u>	<u>(6,925)</u>	<u>566,618</u>
Decreases in Unrestricted Net Assets			
Program Expenses	504,689	--	504,689
Support Services	<u>39,167</u>	--	<u>39,167</u>
Total Decrease in Net Assets	<u>543,856</u>	--	<u>543,856</u>
Net Increase (Decrease) in Net Assets	<u>29,687</u>	<u>(6,925)</u>	<u>22,762</u>
Net Assets			
Beginning Net Assets 6/30/03	<u>249,594</u>	<u>51,393</u>	<u>300,987</u>
Ending Net Assets at 6/30/04	<u>\$ 279,281</u>	<u>\$ 44,468</u>	<u>\$ 323,749</u>

SEE ACCOMPANYING NOTES.

THE VELOCITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS

JUNE 30, 2004

Cash flows from Operating Activities:	
Increase in Net Assets	\$ 22,762
Add: Depreciation Expense	19,511
(Increase) Decrease in Assets:	
Decrease in Grant Receivables	7,471
Increase (Decrease) in Liabilities:	
Decrease in Accounts Payable	(18,908)
Net Cash Provided (Used) by Operating Activities	<u>30,836</u>
Cash Flows from Investing Activities	
NONE	--
Net Cash Provided (Used) in Investing Activities	--
Cash Flows from Financing Activities	
Payment on Loans	(29,997)
Net Cash Provided (Used) by Financing Activities	<u>(29,997)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	839
Cash and Cash Equivalents at Beginning of Year	<u>6,288</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>7,127</u></u>

SEE ACCOMPANYING NOTES.

**THE VELOCITY FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The Velocity Foundation, Inc. (The Foundation) is a not-for-profit, community-based corporation established in 1988 to provide intervention services to high risk African-American youth ranging from ages 8 to 22 who reside in Orleans Parish. The Foundation has worked to establish ongoing coordination and referral to federal, state and local health agencies, as well as the private non-profit sector in order to insure a complete spectrum of resources for its client population and to avoid duplicating existing services. The Velocity Foundation provides a variety of services, specifically drug abuse awareness programs, teen pregnancy, HIV/AIDs prevention programs and a child care program.

Mission Statement

We practice vigilance in everything we do, in order to increase the quality of life.

Programs Operated

The Velocity Foundation operates the following programs:

**The Child and Adult Food Program** provides nutritionally balanced meals to the children attending the day care program , as well as to the children attending after-school tutoring.

**The Child Development Learning Program** is a Class A Daycare facility which serves Children ages 18 months to 5 years of age.

**The After School/Tutorial Program** provides tutoring and homework assistance to elementary, middle and high school students. Cultural enrichment and summer camp are also provided to these children. Most of this funding is passed through the

**M.A.D.I.C. Making a Difference in the Community** is a new teen pregnancy prevention program that allows youth to “make a difference in their community”. This program provides skills training for youth between the ages of 12-17 from Abramson, Lawless, and McDonough #35 High Schools. These youth are trained to make presentations at schools, churches, and other community organizations regarding Reproductive Health, Teen Prevention, STDs and HIV prevention.

**The Youth Education Services (Y.E.S.)** targets “at-risk” youth in grades 5<sup>th</sup> and 6<sup>th</sup> who reside in areas of high rates of drug abuse and violence (the B.W. Cooper Housing Development, C.J. Pecte Housing Development, Gert Town and Central City).

**THE VELOCITY FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

A. Programs Operated (continued)

The Velocity Foundation operates the following programs: (continued)

**Youth Education Services Plus Program (Y.E.S.P.P.)** provides training in how to enhance the quality of life for parents and children to include courses on personality, communication and the underlying issues of violence.

**Youth Education Services Pre-Treatment** operates an outpatient substance abuse clinic. The clinic serves mostly Orleans Parish with a base population of 500,000. It utilizes its proven model of recovery (eclectic approach to treatment) and will utilize the 12-step recovery principles of Alcoholics Anonymous and Al-Anon in providing outpatient treatment services. Sessions cover the disease model of chemical dependency; family aspects of co-dependency; chemical dependency as a primary and progressive illness; denial and its role in dependency and physical effects of chemical abuse.

B. Principles

The financial statements of the Velocity Foundation, Inc. have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

**THE VELOCITY FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

C. Basis of Presentation

The Velocity Foundation's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SAFS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

*Unrestricted Net Assets* - limited only by the broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors and others entered into by the organization in the course of its business.

*Temporarily Restricted Net Assets* - assets whose restrictions lapse with the passage of time.

*Permanently Restricted Net Assets* - assets whose restrictions do not lapse with the passage of time.

Presently the Foundation has unrestricted and temporarily restricted net assets.

D. Contributions

Contributions are recognized when a donor makes a promise to give. Contributions that are restricted by the donor are reported as increases in permanently or temporarily unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

E. Fixed Assets

Equipment and furnishings are carried at cost. Depreciation is computed using the straight-line method over five years for furniture and equipment, ten years for vehicles and forty years for buildings and building improvements. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activity for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Deductions are made of retirements resulting from renewals or betterments.

**THE VELOCITY FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

F. Income Taxes

The Velocity Foundation, Inc. is operating under Section 501 © (3) of the Internal Revenue Code and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements. This nonprofit organization has been classified as an organization that is not a private foundation under Sec 509 (A).

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At June 30, 2004 all of the Foundation's cash balances were secured by Federal Depository Insurance (FDIC).

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Annual and Sick Leave

The Velocity Foundation, Inc. accrues vacation on all full-time employees who have successfully completed their 90 day probationary period at a rate of two percent (40 hours) of actual time worked after the employee completes one full year (after the probationary period) of employment with the Foundation. After two years of full-time employment (after the probationary period) an employee earns vacation at a rate of four percent (80 hours) of actual time worked or annual leave/vacation. The Executive Director and Assistant earns annual leave at a rate of 6% (15 days). All vacation is terminated when a funding source reimbursing the pay ceases to exist. If the funding is in existence a terminated employee will automatically be reimbursed for unused annual leave.

Sick leave is accrued at a rate of two percent per month after three continuous months of employment. Unused sick time can not be carried over to subsequent years nor will this leave be paid upon termination of an employee.

**THE VELOCITY FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Asset Restrictions**

The Velocity Foundation, Inc. (The Foundation) has certain assets purchased with grant funds that are restricted as to disposition. The total amount of fixed assets recorded is limited by these restrictions.

**NOTE 2- GRANT RECEIVABLE**

The Foundation had the following amounts receivable from grants at June 30, 2004:

	<u>AMOUNT</u>
Louisiana Department of Social Services - Summer Camp	\$ 9,348
U.S. Department of Education, Passed through The U.S. Department of Health and Hospitals – Tutorial	2,306
U.S. Department of Health & Human Services, Passed through the Louisiana Department of Health & Hospitals - Youth Educational Services Program	5,052
U.S. Department of Health & Human Services, Passed through the Louisiana Department of Health & Hospitals - Youth Educational Services Pre-treatment	13,492
U.S. Department of Health & Human Services, Passed through the Louisiana Department of Health & Hospitals - Youth Educational Services Program Plus	9,934
U. S. Department of Education Day Care Food & Nutrition	<u>3,991</u>
Total Receivable	<u>\$44,123</u>

**THE VELOCITY FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2004**

**NOTE 4- FIXED ASSETS**

The Velocity Foundation, Inc.'s fixed assets consist of the following:

	Beginning Balance	Additions	Ending Balance
Building and improvements	\$ 456,246	\$ --	\$ 456,246
Vehicles	81,040	--	81,040
Furniture, Fixtures & equipment	<u>18,605</u>	--	<u>18,605</u>
Total	\$ <u>555,891</u>	\$ ==	\$ 555,891
Less: Accumulated Depreciation			( <u>166,427</u> )
Net Fixed Assets			\$ <u>389,464</u>

Total depreciation expense equals \$ 19,510 at June 30, 2004.

**NOTE 5- NOTES PAYABLE**

The Velocity Foundation's short-term obligations consist of the following:

Installment note payable to the a local bank at 8.00 % per annum, which is due December 31, 2004 secured by land and building.	\$ 67, 679
Installment note collateralized by an automobile payable to a financial institution in monthly installments of \$ 459, including interest at 16.65%, final payment is due June 30, 2004.	4,094
Installment note collateralized by an automobile payable to a financial institution in monthly installments of \$ 931, including interest at 12%, final payment is due December 27, 2004.	<u>13,206</u>
Total Notes Payable	\$ <u>84,979</u>

There was no accrued interest on these notes at June 30, 2004.

Maturities of long-term debts are as follows:

Years Ending <u>June 30,</u>	<u>Amount</u>
2005	\$ <u>84,979</u>
Total	\$ <u>84,979</u>

**THE VELOCITY FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2004**

**NOTE 6- CONCENTRATIONS**

The Velocity Foundation, Inc. receives 74% of its revenues from federal and state grantors.

**NOTE 7- CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Louisiana Department of Health and Hospitals, the Louisiana Department of Education and the Louisiana Department of Social Services. Any disallowed claims including amounts already collected, may constitute a liability of applicable funds. The amount, if any, or expenditures which may be disallowed by the grantor cannot be determined at this time; although The Foundation expects such amounts to be immaterial.

**NOTE 8 – RELATED PARTIES**

The Executive Director of the Velocity Foundation and the Director of the Day Care Center are husband and wife. The son of this couple also works as an after-school tutor periodically.

It should be noted that nepotism laws do not apply to non-profit entities.

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## **SUPPLEMENTARY INFORMATION**



**EILEEN  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
The Velocity Foundation, Inc.  
4730 Washington Ave.  
New Orleans, LA 70125

I have audited the financial statements of the Velocity Foundation, Inc. (a nonprofit organization) (the Foundation) as of and for the year ended June 30, 2004, and have issued my report thereon dated December 31, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #04-01, #04-02, #04-03 and #04-04. I also noted certain immaterial instances of noncompliance, which I have reported to the management of the Foundation. in a separate letter dated December 31, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Foundation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Foundation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

These reportable conditions are described in the accompanying schedule of findings and questioned costs as items #04-01, #04-02, #04-03 and #04-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions disclosed in the schedule of findings, I consider item # 04-01 to be a material weakness. I also noted certain immaterial conditions as noted in the attached management letter dated December 31, 2004.

This report is intended for the information of management, the Board of Directors of the Velocity Foundation, Inc., the Legislative Auditor of the State of Louisiana, federal, state and local awarding agencies and pass-through agencies. This report is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Eileen Shanklin Andrus  
CERTIFIED PUBLIC ACCOUNTANT  
A LIMITED LIABILITY COMPANY

December 31, 2004

THE VELOCITY FOUNDATION, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2004

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Section 1 Summary of Auditor's Reports

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*Financial Statements*

Type of auditor's report issued = unqualified

Type of auditor's report issued on compliance and internal control = qualified.

Internal Control over financial reporting:

Material Weakness(es) identified  Yes  No

Reportable Condition(s) identified  
that is not considered to be  
material weaknesses  Yes  none reported

Noncompliance material to financial  
Statements noted?  Yes  No

*Federal Awards*

Internal Control over major programs: *NOT APPLICABLE*

Material weakness(es) identified?  Yes  No

Reportable condition(s) identified  
that is not considered to be a  
material weakness(es).  Yes  none reported

Type of auditor's report issued on compliance for major programs = NOT APPLICABLE.

Any audit findings disclosed that  
Are required to be reported  
In accordance with section  
510 (a) of Circular A-133?  Yes  No

**THE VELOCITY FOUNDATION, INC.**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2004**

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**Section I Summary of Auditor's Reports**

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**Identification of major programs: NOT APPLICABLE**

**CFDA Number(s)                      Name of Federal Program or Cluster**

**Dollar threshold used to distinguish  
Between type A and type B programs:      \$ 500,000**

**Auditee qualified as low-risk auditee?             Yes             No**

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**Section II Financial Statement Findings and Questioned Costs and Section**

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**# 04-01 Payroll Tax Forms – Proper Reporting and Reconciliation**

**Condition:** During the course of my testing the Velocity Foundation's (the Foundation) payroll, I noted that there was a difference of approximately \$ 68,000 between the amounts recorded per 941 when compared to the amount reported per the general ledger. There were more costs per the general ledger than on the 941's for the quarters falling within the grant period.

**Cause:** This condition is caused by failure to follow the internal procedure for reporting manual payrolls to the payroll service utilized by the Foundation.

**Effect:** This condition has the effect of weakening controls in the payroll tax reporting function.

**Criteria:** A good system of internal control over payroll tax reporting would allow for checks and balances related to the amounts reported on the 941 as compared to the general ledger on a periodic basis.

**Questioned Costs:** -0-

**Recommendation:** I recommend that controls be established to review amounts reported by the payroll service as compared to the amounts recorded in the general ledger.

**THE VELOCITY FOUNDATION, INC.**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2004**

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**Section II Financial Statement Findings and Questioned Costs and Section**

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**# 04-02 Full Accrual (GAAP) Accounting**

**Condition:** During my testing I noted that current receivable and payable balances were not being recorded on a periodic basis in accordance with full-accrual accounting.

**Cause:** This condition is caused by oversight at the Velocity Foundation, Inc.

**Effect:** This condition has the effect of causing the interim financial statements to be misleading.

**Criteria:** A good system of internal control over financial reporting would include the recording and reversing of receivables and payables on a periodic basis in accordance with Generally Accepted Accounting Principles (GAAP).

**Questioned Costs:** None.

**Recommendation:** I recommend that the contractual accountant be advised to book and reverse all receivables and payables as warranted by GAAP on a timely basis.

**# 04-03 Timely Submission of Audit Reports**

**Condition:** I noted that The Velocity Foundation, Inc. failed to submit its audit report within the statutory deadline of six months.

**Cause:** This condition was caused by delays in obtaining information and some confusion as to where to view the predecessor's work papers. The contact person for this audit, Mrs. Betty Wilkerson, was also sick throughout the audit period. Further, the audit was not engaged until November of 2004.

**Effect:** This condition has the effect of putting The Velocity Foundation in non-compliance with State law.

**Questioned Costs:** None.

**Recommendation:** I recommend that in the future the audit be engaged as recommended by the Legislative Auditor (30 days before yearend) and commenced within two months of The Velocity Foundation's yearend to facilitate timely completion as required by State law.

**THE VELOCITY FOUNDATION, INC.**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2004**

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**III Federal Award Findings and Questioned Costs**

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**NOT APPLICABLE.**

**THE VELOCITY FOUNDATION, INC**

**Summary Schedule of Prior Year Audit Findings and Management Comments**

**For the Year Ended June 30, 2004**

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**REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES**

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**NONE.**

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**MANAGEMENT LETTER COMMENTS**

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**NONE.**



**EILEEN  
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Accountants

December 31, 2004

Mrs. Betty Wilkerson  
The Velocity Foundation, Inc.  
4730 Washington Ave.  
New Orleans, LA 70125

I have audited the financial statements of the Velocity Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2004, and have issued my report thereon dated December 31, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

As part of my examination, I have issued my report on the financial statements dated June 30, 2004 and my report on internal control and compliance with laws, regulations, and contracts dated June 30, 2004. In planning and performing my audit of the financial statements of The Velocity Foundation, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

However, I noted certain matters involving internal control and its operation that I consider to be important, but not significant enough to be considered a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control that, in my judgment, could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The following conditions were noted during the course of conducting the Velocity Foundation's audit for the year ended June 30, 2004.

**MGT # 04-01 Check Imaging**

**Condition:** During the course of my testing cash disbursements I noted that the bank does not provide a copy of the back-side of the cancelled checks. Due to the bank's policy I was unable to view the endorsement on the back of the check.

**Recommendation:** I recommend that the bank be required to provide a copy of the backs of checks that have been imaged or requested to provide a cancelled check in the bank statement.

**MGT# 04-02 Posting of Prior Year's Adjustments to the Current  
General Ledger**

**Condition:** I further noted that the prior year's recommended audit adjustments were not posted to the general ledger in a timely fashion.

**Recommendation:** I recommend that all recommended audit adjustments be posted to the general ledger as soon as the audit is completed.

**MGT# 04-03 Additional information in the Memo Section to Provide Adequate  
Explanation for Posting**

**Condition:** I also noted that the entries in the Foundation's accounting software gave very little explanation as to which month or what reason the entry or posting was needed for.

**Recommendation:** I recommend that the memo column be utilized to explain which month and or what reason a posting is needed to include general journal entries.

These recommendations are meant as suggestions to improve and not to criticize management or the administrative accounting staff.

Should you need any advice on how to resolve or apply the recommendations suggested, please do not hesitate to call me at (985) 209-3067 or e-mail me at Eileen @ esacpa.com.

Sincerely,

Eileen S. Andrus  
CERTIFIED PUBLIC ACCOUNTANT  
A LIMITED LIABILITY COMPANY

THE VELOCITY FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

JUNE 30, 2004

	<u>P R O G R A M</u> <u>S E R V I C E S</u>	<u>S U P P O R T</u> <u>S E R V I C E S</u>	<u>TOTAL</u>
Expense			
Salary	\$ 250,271	\$ 13,648	\$ 263,919
Automobile Expense	7,572	--	7,572
Bank Service Charges	1,151	1,267	2,418
Depreciation Expense		19,511	19,511
Equipment Rental	1,629	--	1,629
Insurance	46,474	--	46,474
Interest Expense	1,159	3,430	4,589
Maintenance	4,283	--	4,283
Group Activities	900	--	900
Licenses and Permits	1,056	--	1,056
Miscellaneous	618	--	618
Postage and Delivery	311	--	311
Printing and Reproduction	451	271	722
Professional Fees	39,948	--	39,948
Rent	500	--	500
Repairs	9,825	--	9,825
Equipment Purchase	48	--	48
Telephone	7,447	--	7,447
Travel & Entertainment	2,413	--	2,413
Utilities	18,329	--	18,329
Education	1,442	--	1,442
Contract Labor	53,609	--	53,609
Office Supplies	2,529	--	2,529
Payroll Expenses	33,640	1,040	34,680
Program Expense	15,968	--	15,968
Supplies	<u>3,116</u>	--	<u>3,116</u>
Total Expense	\$ <u>504,689</u>	\$ <u>39,167</u>	\$ <u>543,856</u>

See Accompanying Notes.