

**NEW ORLEANS MULTICULTURAL
TOURISM NETWORK, INC.**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2016

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American Institute of
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Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
**New Orleans Multicultural
Tourism Network, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of the **New Orleans Multicultural Tourism Network, Inc. (NOMTN)** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
**New Orleans Multicultural
Tourism Network, Inc.**
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Auditors' Responsibility, Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Because of inadequacies in **NOMTN's** accounting records for the purpose of documenting the business purpose of reported non-payroll expenses, we were unable to form an opinion regarding the classification of the amounts in non-payroll expense categories (stated at \$271,693) in the accompanying statement of activities.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
**New Orleans Multicultural
Tourism Network, Inc.**
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Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **NOMTN** as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses and Schedule of Compensation Benefits and Other Payments to the President on pages 14 and 15, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the supplementary information because of the inadequacies in **NOMTN's** accounting records for the purpose of documenting the business purpose of certain reported non-payroll expenses, as described above in the basis for qualified opinion paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

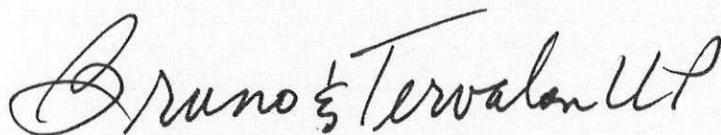
INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
**New Orleans Multicultural
Tourism Network, Inc.**

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018, on our consideration of **NOMTN's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **NOMTN's** internal control over financial reporting and compliance.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

January 8, 2018

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Cash and cash equivalents	\$ 66,053
Due from New Orleans Tourism Marketing Corporation (NOTMC)	121,662
Computer equipment, net of accumulated depreciation of \$1,305 (NOTES 4 and 7)	5,221
Due from employee (NOTE 9)	22,687
Other assets	<u>2,633</u>
 Total assets	 <u><u>\$ 218,256</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 33,731
Obligation under capital lease (NOTE 7)	<u>4,079</u>
 Total liabilities	 37,810
 Unrestricted net assets	 <u>180,446</u>
 Total liabilities and net assets	 <u><u>\$ 218,256</u></u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

SUPPORT AND REVENUES

NOTMC funding (NOTE 5)	\$ 374,648
Optional hotel assessment funding	100,000
Membership	3,943
Other	<u>16,794</u>

Total support and revenue 495,385

EXPENSES

Administrative	130,804
Convention sales and marketing expenses	<u>363,998</u>

Total expenses 494,802

Changes in net assets 583

Net assets, beginning of year 179,863

Net assets, end of year \$ 180,446

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 583
Adjustments to reconcile change in net assets to net assets provided by operating activities:	
Depreciation	1,305
Write-off of fixed assets	3,974
Changes in assets and liabilities:	
Increase in due from New Orleans Tourism Marketing Corporation	(3,910)
Increase in due from employee	(22,687)
Increase in other assets	(2,058)
Increase in accounts payable and accrued liabilities	<u>31,146</u>
Net cash provided by operating activities	<u>8,353</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Purchase of equipment	<u>(6,526)</u>
Net cash used in investing activities	<u>(6,526)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds for capital lease	6,526
Payments on capital lease	<u>(2,447)</u>
Net cash provided by financing activities	<u>4,079</u>
Net increase in cash	5,906
Cash at beginning of year	<u>60,147</u>
Cash at end of year	<u><u>\$ 66,053</u></u>
Interest paid	<u><u>\$ 65</u></u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

(A) Organization

The **New Orleans Multicultural Tourism Network, Inc. (NOMTN)** is a Louisiana not-for-profit corporation chartered on March 5, 1990. Its purpose is to attract tourist and convention business from domestic and foreign markets, inclusive of developing minority markets, affected by the tourist industry, to the greater New Orleans metropolitan area.

NOMTN is exempt from taxation under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

NOMTN files as a tax-exempt organization. Should that status be challenged in the future, **NOMTN's** 2014, 2015 and 2016 tax years are open for examination by the IRS.

(B) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of **NOMTN** and changes therein are classified as unrestricted net assets that are not subject to donor-imposed stipulations.

(C) Financial Statement Presentation

For the year ended December 31, 2016, **NOMTN** followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*, in the presentation of its financial statements. Under FASB ASC Section 958-205, **NOMTN** is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. In addition, **NOMTN** is required to present a statement of cash flows.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies:

(C) Financial Statement Presentation, Continued

Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of **NOMTN**.

Temporarily Restricted Net Assets - Contributions specifically authorized by the donors to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by **NOMTN**. Generally, the donors of these assets permit **NOMTN** to use all or part of the income derived from the investment of these contributions.

At December 31, 2016, **NOMTN** has no temporarily or permanently restricted net assets.

Contributions

NOMTN accounts for contributions in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition* accounting for contributions received and contributions made. In accordance with FASB ASC Section 958-605, contributions are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are re-classified to unrestricted net assets.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued;

(D) Office Furniture and Equipment

Office furniture and equipment are stated at cost. Additions, renewals, and betterments that add materially to productive capacity or extend the life of an asset are capitalized. Expenditures for maintenance and repairs which do not extend the life of the applicable assets are charged to expense as incurred. Upon retirement or disposal of an asset, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting gain or loss is included in the statement of activities.

Depreciation of the office furniture and equipment is provided over the estimated useful lives of the assets (three to five years) on a straight-line basis.

(E) Statement of Cash Flows

For the purpose of the Statement of Cash Flows, **NOMTN** considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

(F) Estimates

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

(G) Advertising

NOMTN uses advertising to promote its mission to attract tourism and convention business to the greater New Orleans area. The costs of advertising are expensed as incurred.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Functional Allocation of Expenses:

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE 3 - Donated Services:

The value of donated services is not reflected in the accompanying financial statements since there are no objective basis available by which to measure the value of such services. However, a number of volunteers have donated significant amounts of their time in activities and events sponsored by **NOMTN**.

NOTE 4 - Office Furniture and Equipment:

Office furniture and equipment, at cost, and accumulated depreciation as of December 31, 2016 are summarized as follows:

Office furniture and equipment	\$ 6,526
Less: accumulated depreciation	<u>(1,305)</u>
	<u>\$ 5,221</u>

Depreciation expense for the year ended December 31, 2016 was \$1,305.

NOTE 5 - Economic Dependency:

Under present funding arrangements with New Orleans Tourism Marketing Corporation (NOTMC), a significant part of **NOMTN**'s support is currently derived from that one contributor. By ordinance, NOTMC is required to fund **NOMTN** annually.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Operating Lease:

NOMTN has an operating lease for rental of office space, which is non-cancelable over the next three (3) years remaining under the term of the lease. Minimum future rental payments are under the non-cancelable operating lease having rental terms in excess of one year at December 31, 2016 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$24,696
2018	<u>12,348</u>
	<u>\$37,044</u>

Rental expense under the non-cancelable operating lease for the year ended December 31, 2016 was \$26,057.

NOTE 7 - Capital Lease:

NOMTN is the lessee of computer equipment under a capital lease expiring in 2018. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive lives. Amortization of the asset under the capital lease is included in depreciation expense for fiscal year 2016.

Following is a summary of property held under the capital lease:

Computer equipment	\$ 6,526
Accumulated amortization	<u>(1,305)</u>
	<u>\$ 5,221</u>

Minimum future lease payments under the capital lease as of December 31, 2016, were as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 3,349
2018	<u>837</u>
Net minimum lease payments	4,186
Amount representing interest	<u>(107)</u>
Present value of net minimum lease payments	<u>\$ 4,079</u>

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Fair Values of Financial Instruments:

The estimated fair value of financial instruments has been determined by utilizing available market information and appropriate valuation methodologies. **NOMTN** considers the carrying amounts of cash and cash equivalents to approximate fair value.

NOTE 9 - Subsequent Events:

NOMTN is required to evaluate events or transactions that may occur after the Statement of Financial Position date for potential recognition or disclosure in the financial statements. **NOMTN** performed such an evaluation through January 8, 2018, the date which the financial statements were available to be issued.

During the period subsequent to December 31, 2016, the Board of Directors of **NOMTN** determined from their internal examination of credit card charges and expense disbursements made during the period January 1, 2014 through December 31, 2016 that an employee had made certain unauthorized credit charges and expense disbursements in the amount of \$22,687. Prior to the issuance date of the audit report, the full amount of the determined unauthorized credit charges and expense disbursements in the amount of \$22,687 was paid to **NOMTN**.

NOTE 10 - Concentration of Credit Risk:

NOMTN maintains noninterest bearing accounts at local banks. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage up to \$250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. At December 31, 2016, **NOMTN's** deposits were fully insured.

SUPPLEMENTARY INFORMATION

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Convention Sales and Marketing</u>	<u>Administrative</u>	<u>Total</u>
Salaries and wages	\$ 111,117	\$ 47,622	\$ 158,739
Payroll taxes	13,607	5,832	19,439
Fringe benefits	31,452	13,479	44,931
Total salaries and related expenses	<u>156,176</u>	<u>66,933</u>	<u>223,109</u>
Utilities	4,794	4,794	9,588
Professional fees	15,638	19,785	35,423
Dues/Membership/Registration	-	2,400	2,400
Collateral materials	7,885	-	7,885
Convention support	2,200	-	2,200
Postage and courier	-	2,447	2,447
Meeting expense	10,216	-	10,216
Office supplies	-	6,915	6,915
Rent	12,000	12,000	24,000
Special Events	70,290	-	70,290
Travel	47,008	-	47,008
Telephone	2,881	2,881	5,762
Miscellaneous	-	2,090	2,090
Write-off of fixed assets	-	3,974	3,974
Printing	5,248	5,248	10,496
Interest expense	32	32	64
Promotions	29,630	-	29,630
Total expenses before depreciation	<u>363,998</u>	<u>129,499</u>	<u>493,497</u>
Depreciation	<u>-</u>	<u>1,305</u>	<u>1,305</u>
Total expenses	<u><u>\$ 363,998</u></u>	<u><u>\$ 130,804</u></u>	<u><u>\$ 494,802</u></u>

See Independent Auditors' Report.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO THE PRESIDENT
FOR THE YEAR ENDED DECEMBER 31, 2016

President Name: Ms. Toni Rice

<u>Purpose</u>	<u>Amount</u>
Salary	\$96,239
Benefits – insurance	17,632
Benefits – retirement	-0-
Benefits – worker’s comp	-0-
Benefits – life insurance	52
Benefits – Medicare	1,395
Benefits – Social Security	5,967
Benefits – unemployment comp	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	2,425
Reimbursements	125
Travel	2,111
Registration fees	3,795
Conference travel	3,000
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

See Independent Auditors’ Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
New Orleans Multicultural Tourism Network, Inc.
New Orleans, Louisiana

We have audited, in accordance with the 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, the financial statements of the **New Orleans Multicultural Tourism Network, Inc. (NOMTN)** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **NOMTN's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **NOMTN's** internal control. Accordingly, we do not express an opinion on the effectiveness of **NOMTN's** internal control.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control over Financial Reporting, Continued

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2016-001 to 2016-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings as items 2016-004 and 2016-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **NOMTN's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Management's Response to Findings

NOMTN's response to the findings identified in our audit is described in the accompanying schedule of findings. NOMTN's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NOMTN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NOMTN's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the use of the Board of Directors, its management, grantor agencies and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

January 8, 2018

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

We have audited the financial statements of **New Orleans Multicultural Tourism Network, Inc.** as of and for the year ended December 31, 2016, and have issued our report thereon dated January 8, 2018. We conducted our 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. Our audit of the financial statements as of December 31, 2016, resulted in an unmodified opinion.

SECTION I - Summary of Auditors' Results

- A. Significant deficiencies in internal control were disclosed by the audit of the financial statements: Yes; material weaknesses: Yes.
- B. Noncompliance which is material to the financial statements: No.
- C. Significant deficiencies in internal control over major programs: N/A Material weaknesses: N/A.
- D. The type of report issued on compliance for major programs: N/A.
- E. Any audit findings which are required to be reported under section 200.516 of OMB Uniform Guidance: N/A.
- F. Major programs: N/A.
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A.
- H. Auditee qualified as a low-risk auditee under section 200.520 of OMB Uniform Guidance: N/A.
- I. A management letter was issued: No.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

**SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards**

2016-001 - Segregation of Duties

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

As in the prior year, accounting duties are being handled by one (1) individual with the exception of compiling the financial statements and reconciling bank accounts, which are being performed by an external accountant.

Effect

Internal controls are weakened by the lack of segregation of duties, thus, the risk of fraudulent activities is increased.

Cause

NOMTN lacks personnel to adequately segregate accounting duties.

Recommendation

As in previous years, NOMTN continues to operate on a skeletal budget that does not allow us to have more than two people on staff. Without any paying membership base and we only receive one source of funding per month. We do not keep any petty cash nor do we accept credit card payments. NOMTN's Board of Directors recommended that all incoming receipts are handled and logged by the administrative assistant. Receivables will then be deposited by the President. The Treasurer and/or President shall review incoming and outgoing transactions monthly to ensure accuracy of deposits. Also, the Treasurer plans to sign all checks.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

**SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued**

2016-001 - Segregation of Duties, Continued

Management's Response

We concur with the auditor's findings and recommendations. NOMTN Board of Directors will update current Financial Policies and Procedures and provide additional insight and segregation of duties needed to ensure active review and approval of financial activity and information of the organization. NOMTN's Board Treasurer and Chairman will review financial transactions monthly for internal control purposes.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

**SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued**

2016-002 - Check Signer

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

Our testwork of cash disbursements revealed that twenty-two (22) out of the twenty-four (24) checks over the amount of \$1,500 were not dual signed by authorized check signors, as required by the recently revised check signing policy.

Effect

Risk of fraudulent activities increases with weaker internal control over cash disbursements.

Cause

NOMTN did not adhere to its check signing policy that requires two (2) authorized check signers for checks over \$1,500.

Recommendation

We recommend that the management of NOMTN follow the check signing policy that requires two (2) authorized check signers for checks written over \$1,500.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued

2016-002 - Check Signer, Continued

Management's Response

NOMTN's Board Chairman and Treasurer will implement a pre-approval process for financial activity to ensure all transactions are business related. We will also implement a Check Request Policy and process requiring approval from the Board Chairman and/or Treasurer and enforce check signing authority that requires two (2) authorized signatures for NOMTN checks over \$1,500.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

**SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued**

2016-003 - Unauthorized Disbursements

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws, regulations and board policy.

Condition

In 2017, the Board of Director performed an internal examination of **NOMTN's** non-payroll cash disbursements as well as **NOMTN** credit card charges for the period January 1, 2014 to December 31, 2016. The purpose of this internal examination was to determine whether the tested cash disbursements and credit card charges were authorized business expenses and were properly supported with source documentation.

NOMTN completed its internal examination in February 2017. This internal examination revealed that the President, during the period of the internal examination, owed \$22,687 to **NOMTN** for credit card charges and other cash disbursements that were determined by **NOMTN** to be unauthorized non-business (personal) expenses directly attributable to the President. As of the date of the audit report, the President repaid **NOMTN** the full amount of unauthorized expenses, as described above.

As part of our 2016 audit, we tested nineteen (19) credit card charges and forty-four (44) cash disbursement transactions. The results of our testing are as follows:

Credit Card Charges

- Four (4) out of the nineteen (19) tested totaling \$1,495 were not supported with invoices. We were unable to determine the business purpose of these charges and whether the credit card charges were properly classified in the financial records.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

**SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued**

2016-003 - Unauthorized Disbursements, Continued

Condition, Continued

Cash Disbursements

- Eighteen (18) out of forty-four (44) tested totaling \$25,392 were not supported with invoices or other supporting documentation.
- In ten (10) out of forty-four (44) tested totaling \$10,334, we were unable to determine the business purposes of these disbursements and whether these cash disbursements were properly classified in the financial records.

Effect

Unauthorized/nonbusiness credit card charges and other cash disbursements were potentially made by **NOMTN's** President.

Cause

NOMTN did not adhere to its check disbursement and credit card policies and procedures.

Recommendation

We recommend that the Board of Directors increases its oversight responsibilities for the review and approval of disbursements. In particular, those **NOMTN** disbursements that relate directly to the President should always be reviewed and approved by a designated member of the Board of Directors, such as the Board Treasurer.

We also recommend that **NOMTN** make significant changes to the credit card usage policies and procedures or eliminate or severely restrict the use of the credit card to prevent any potential misappropriations of public funds.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued

2016-003 - Unauthorized Disbursements, Continued

Additional Elements of Finding

Following are responses to the eighteen (18) elements required by the Louisiana Legislative Auditor for findings where fraud or misappropriation are being reported:

1. A general statement describing the fraud or misappropriation that occurred.
Unauthorized use of public funds.
2. A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).
Cash.
3. The amount of funds or approximate value of assets involved.
Approximately \$22,000.
4. The department or office in which the fraud or misappropriation occurred.
Finance.
5. The period of time over which the fraud or misappropriation occurred.
January 1, 2014 to December 31, 2016.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II - **Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued**

2016-003 - **Unauthorized Disbursements, Continued**

Additional Elements of Finding

6. The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.
President.
7. The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.
Tonnette Rice.
8. Is the person who committed or is believed to have committed the act of fraud or misappropriation still employed by the agency?
No.
9. If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?
Not applicable.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued

2016-003 - Unauthorized Disbursements, Continued

Additional Elements of Finding

10. Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?
No.
11. What is the status of the investigation at the date of the auditor's/accountant's report.
An internal investigation is complete as of the date of the auditors' report.
12. If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?
No.
13. What is the status of any related adjudication at the date of the auditor's/accountant's report?
There is none.
14. Has restitution been made or has an insurance claim been filed?
Yes, reimbursement to NOMTN has been made in the amount of \$22,687.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued

2016-003 - Unauthorized Disbursements, Continued

Additional Elements of Finding

15. Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (applicable to local governments only)?
No.
16. Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?
No.
17. If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.
Ineffective procedures of the Board of Directors to review and oversee NOMTN's credit card charges and other cash disbursements of the President of NOMTN.
18. Management's plan to ensure that the fraud or misappropriation does not occur in the future.
Management is developing an anti-fraud plan.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

**SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued**

2016-003 - Unauthorized Disbursements, Continued

Management's Response

NOMTN agrees with the auditors' recommendation and will ensure internal controls and objectives are instituted for proper approval and compliance. NOMTN's Board of Directors (Chairman and/or Treasurer) will authorize and approve all disbursements/travel based on the organizations updated Financial Policies & Procedures including reimbursement and travel policies to ensure disbursements are made for only business purposes. NOMTN's Staff and Board of Directors will follow these policies and submit proper supporting documentation to occupancy the business-related expense/transaction. NOMTN's Staff (specifically the President/Executive Director) financial expenditures will be reviewed and approved by the Board Chairman and/or Treasurer.

Credit Card: NOMTN Board of Directors Credit Card Policies and Procedures have been updated/revised to provide increased oversight and control of credit card and cash disbursements. NOMTN has implemented policies and processes that require pre-approvals, transaction review and proof of purchase/documentation approval by the Chairman and/or Treasurer of the Board of Directors. NOMTN Credit Cards must be placed under strict control and only available for use on a limited basis set forth and approved by NOMTN's Board of Directors.

Disbursements: NOMTN's Board of Directors has updated financial policies and procedures to ensure all purchases are made for only authorized/approved business-related purposes. All purchases must be pre-approved by the Board of Directors (Chairman and/or Treasurer) and supporting documents/business purpose are should be presented and supplied for approval of all financial transactions. All financial supporting documentation supporting a disbursement should be attached for approval and maintained by NOMTN.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

**SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued**

2016-004 - Submission of Audit Report

Criteria

LSA-RS 24:513 (A)(5)(I) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request, based only on a natural disaster, to file the audit report with the Louisiana Legislative Auditor by a specific date.

Condition

The December 31, 2016 audited financial statements were not submitted to the Legislative Auditor by the statutory due date of June 30, 2016.

Effect

An audit report filed with an approved extension from the Legislative Audit after the six (6) months' timeframe for any reason other than for a natural disaster is a violation of the State audit completion and submission law.

Cause

Unanticipated audit time was needed to complete the audit beyond the June 30, 2016 due date.

Recommendation

We recommend that **NOMTN** review its financial reporting procedures to ensure that audit engagements are submitted to the State of Louisiana Legislative Auditor within the required time frame.

Management's Response

Due to unforeseen circumstances of **NOMTN's** Board Staff and available resources the 2016 financial audit was delayed. **NOMTN's** Board of Directors has immediately updated the organization's financial policies and procedures to ensure annual audited financial statement would be filed by the statutory due date.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

**SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued**

2016-005 - Insurance Coverage

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

We noted during our audit that an employee, who handled cash was not covered with a fidelity bond. Additionally, we noted that **NOMTN** had no insurance in effect during the 2016 fiscal year and through the date of our audit report, to cover **NOMTN's** property and equipment and to cover the use of an employee's personal vehicle while conducting **NOMTN** business.

Effect

Insurance coverage was inadequate to cover potential losses of **NOMTN's** assets.

Cause

Lack of adequate reviews of **NOMTN's** insurance coverage needs.

Recommendation

In general, internal controls are designed to safeguard assets and help prevent losses from employee dishonesty. However, the cost of maintaining internal controls sufficient to prevent such losses would be prohibitive. Accordingly, insurance, such as fidelity bonds, may be practical, relatively inexpensive supplement to internal controls. We recommend that **NOMTN** consider obtaining adequate fidelity bond coverage for each employee who handles cash.

We further recommend that **NOMTN** review the adequacy of insurance coverage of its present insurance policies. Also, consider adding new insurance policies to cover **NOMTN's** property and equipment and employee personal vehicles used while conducting **NOMTN** business.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II - Findings Related to the Financial Statements Required
In Accordance with Government Auditing Standards
Continued

2016-005 - Insurance Coverage, Continued

Management's Response

NOMTN concurs with the recommendation and will acquire the necessary business insurance for all NOMTN employees that handle cash on behalf of the organization.

SECTION III - Federal Award Findings and Questioned Cost

Not applicable.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Section I - Internal Control and Compliance Material to the Financial Statements

2015-01 - Segregation of Duties

We recommended that the Board of Directors review **NOMTN's** current assigned accounting duties and implement control procedures to ensure that accounting duties are adequately segregated with available accounting personnel. For activities that are incompatible, additional procedures should be established for the Board of Directors to review and oversee such activities for the purpose of compensating for the lack of adequate segregation of duties.

Current Status

Unresolved. See current year finding 2016-01.

2015-02 - Check Signer

We recommended that the management of **NOMTN** follow the check signing policy that requires two (2) authorized check signers for checks written over \$1,500.

Current Status

Unresolved. See current year finding 2016-002.

NEW ORLEANS MULTICULTURAL TOURISM NETWORK, INC.
SCHEDULE OF PRIOR YEAR FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Section II - Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III - Management Letter

No matters were reported.