

EDUCATIONAL AND TREATMENT COUNCIL, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
Year Ended June 30, 2017

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Gragson, Casiday & Guillory, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.
COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
GRAHAM A. PORTUS, E.A.
KATHRYN BLESSINGTON, C.P.A.
JACKLYN BARLOW, C.P.A.
BRIAN MCCAIN, C.P.A.

INDEPENDENT AUDITORS' REPORT

December 20, 2017

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Educational and Treatment Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Council's June 30, 2016 financial statements and in our report dated December 19, 2016 expressed an unqualified opinion on those 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.

Auditor's 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

145 East Street • Lake Charles, LA 70601
Mailing Address: P.O. Drawer 1847 • Lake Charles, LA 70602-1847
phone: 337.439.1986 • fax: 337.439.1366 • www.gcgcpa.com

To the Board of Directors
December 20, 2017
Page Two

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educational and Treatment Council, Inc. as of June 30, 2017, and the changes in its net assets 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 accompanying schedule of compensation, benefits and other payments to chief executive officer and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of Educational and Treatment Council, Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Educational and Treatment Council, Inc.'s internal control over financial reporting and compliance.

Gragson, Casiday & Guillory

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With Comparative Totals as of June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
ASSETS				
Current Assets				
Cash	\$ 866,669	\$ 189	\$ 866,858	\$ 752,966
Accounts receivable	162,483	-	162,483	252,911
Prepaid expenses	28,830	-	28,830	27,107
Total current assets	<u>1,057,982</u>	<u>189</u>	<u>1,058,171</u>	<u>1,032,984</u>
Fixed Assets at cost, net of accumulated depreciation of \$1,127,894				
	546,335	-	546,335	573,437
	<u>546,335</u>	<u>-</u>	<u>546,335</u>	<u>573,437</u>
TOTAL ASSETS	<u><u>\$ 1,604,317</u></u>	<u><u>\$ 189</u></u>	<u><u>\$ 1,604,506</u></u>	<u><u>\$ 1,606,421</u></u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 19,288	\$ -	\$ 19,288	\$ 18,251
Accrued salary and payroll taxes	63,792	-	63,792	54,478
Current maturities of long-term debt	6,169	-	6,169	5,992
Total current liabilities	<u>89,249</u>	<u>-</u>	<u>89,249</u>	<u>78,721</u>
Long-Term debt, net of current maturities	7,357	-	7,357	13,526
Total liabilities	<u>96,606</u>	<u>-</u>	<u>96,606</u>	<u>92,247</u>
Net Assets				
Unrestricted	1,507,711	-	1,507,711	1,513,985
Temporarily restricted	-	189	189	189
	<u>1,507,711</u>	<u>189</u>	<u>1,507,900</u>	<u>1,514,174</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,604,317</u></u>	<u><u>\$ 189</u></u>	<u><u>\$ 1,604,506</u></u>	<u><u>\$ 1,606,421</u></u>

See accompanying notes.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	Unrestricted	Temporarily restricted	2017 Total	2016 Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS				
Contributions	\$ 42,811	\$ -	\$ 42,811	\$ 39,715
In-kind contributions	46,799	-	46,799	54,522
Grants and contracts	1,773,917	-	1,773,917	1,679,276
Service taxes	699,815	-	699,815	681,160
Interest	3,265	-	3,265	3,552
Miscellaneous	20,431	-	20,431	23,741
Net assets released from restrictions:				
Expiration of time restrictions	-	-	-	-
Total public support, revenues and reclassifications	<u>2,587,038</u>	<u>-</u>	<u>2,587,038</u>	<u>2,481,966</u>
EXPENSES				
Residential Services	1,633,700	-	1,633,700	1,499,357
Community Program Services	959,612	-	959,612	996,231
Total expenses	<u>2,593,312</u>	<u>-</u>	<u>2,593,312</u>	<u>2,495,588</u>
CHANGES IN NET ASSETS	(6,274)	-	(6,274)	(13,622)
NET ASSETS, BEGINNING	1,513,985	189	1,514,174	1,507,356
PRIOR PERIOD ADJUSTMENT	-	-	-	20,440
NET ASSETS, BEGINNING RESTATED	<u>1,513,985</u>	<u>189</u>	<u>1,514,174</u>	<u>1,527,796</u>
NET ASSETS, ENDING	<u>\$ 1,507,711</u>	<u>\$ 189</u>	<u>\$ 1,507,900</u>	<u>\$ 1,514,174</u>

See accompanying notes.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	Residential Services	Community Program Services	2017 Total	2016 Total
Salaries	\$ 956,766	\$ 586,814	\$ 1,543,580	\$ 1,455,475
Payroll taxes	71,595	42,821	114,416	113,109
Employee benefits	60,762	52,473	113,235	112,600
Total salaries and benefits	1,089,123	682,108	1,771,231	1,681,184
Advertising	865	453	1,318	1,766
Bad debt expense	-	-	-	800
Client activities	48,117	1,222	49,339	41,924
Contractual services	7,027	44,545	51,572	64,869
Community care activities	-	12,972	12,972	22,675
Computer services	3,755	2,763	6,518	3,853
Donated services	2,250	10,194	12,444	13,825
Donated supplies	8,795	25,560	34,355	40,698
Dues/subscriptions	2,423	1,697	4,120	3,360
Food	51,102	-	51,102	51,490
Fund-raising	9,006	427	9,433	10,429
Household supplies	3,766	-	3,766	3,751
Insurance-workmen's compensation	18,234	11,177	29,411	27,093
Insurance-liability	57,682	53,203	110,885	106,938
Janitorial services	21,238	8,862	30,100	31,579
Licenses/accreditation	650	7,000	7,650	8,217
Medical services	1,146	-	1,146	484
Miscellaneous	774	336	1,110	1,325
Motor vehicle	25,510	17,583	43,093	39,955
Office supplies	8,712	5,216	13,928	13,232
Personal client needs/clothing	12,180	-	12,180	8,291
Professional services	4,165	4,335	8,500	8,000
Recreational	13,917	-	13,917	11,791
Rent	104,580	2,095	106,675	96,649
Repairs and maintenance - building and grounds	12,810	2,298	15,108	23,449

Continued

See accompanying notes.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	Residential Services	Community Program Services	2017 Total	2016 Total
Repairs and maintenance - equipment	\$ 9,930	\$ 13,700	\$ 23,630	\$ 11,171
Security	351	249	600	818
Service charges	3,596	1,324	4,920	5,049
Supplies - kitchen and camp	2,701	576	3,277	4,387
Communications	12,680	16,003	28,683	27,729
Therapeutic supplies	323	1,089	1,412	1,679
Travel and training	10,933	9,713	20,646	26,483
Utilities	36,702	6,527	43,229	42,800
Total expenses before depreciation	<u>1,585,043</u>	<u>943,227</u>	<u>2,528,270</u>	<u>2,437,743</u>
Depreciation of buildings and equipment	<u>48,657</u>	<u>16,385</u>	<u>65,042</u>	<u>57,845</u>
 Total expenses	 <u>\$ 1,633,700</u>	 <u>\$ 959,612</u>	 <u>\$ 2,593,312</u>	 <u>\$ 2,495,588</u>

See accompanying notes.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,274)	\$ (13,622)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	65,042	57,845
Collections from prior period adjustment	-	20,440
(Increase) decrease in accounts receivable	90,428	89,264
(Increase) decrease in prepaid expenses	(1,723)	1,594
Increase (decrease) in accounts payable	1,037	(14,499)
Increase (decrease) in accrued expenses	9,314	(58,122)
Net cash from operating activities	<u>157,824</u>	<u>82,900</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(37,940)	(27,554)
Proceeds from disposition of fixed assets	-	-
Net cash from investing activities	<u>(37,940)</u>	<u>(27,554)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from debt borrowing	-	-
Payments on long-term debt	(5,992)	(5,822)
Net cash from financing activities	<u>(5,992)</u>	<u>(5,822)</u>
 Net increase (decrease) in cash and cash equivalents	 113,892	 49,524
Cash and cash equivalents, beginning	<u>752,966</u>	<u>703,442</u>
Cash and cash equivalents, ending	<u>\$ 866,858</u>	<u>\$ 752,966</u>
 Supplemental disclosures:		
Interest paid	<u>\$ 487</u>	<u>\$ 575</u>
Non-cash donations	<u>\$ 46,799</u>	<u>\$ 54,522</u>

See accompanying notes.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Educational and Treatment Council, Inc. (ETC) is a nonprofit corporation organized in 1974 under the laws of the State of Louisiana. The mission of ETC is to provide services and programs that ensure youth safety, enhance life functioning, and re-connect youth and families with the community. Educational and Treatment Council, Inc. provides prevention and intervention services that address issues affecting at-risk youth and their families. All services are available at no cost to clients. The primary service area of Educational and Treatment Council, Inc. is the five parishes of Southwest Louisiana.

Harbour House, a program of Educational and Treatment Council, Inc., is an emergency shelter for children and youth ages 9-17 years old. The shelter serves abused and neglected children, foster children, runaway and homeless youth, status offenders, and other youth in need of a safe place to stay. Harbour House also provides brief respite for children of families in crisis to ensure safety and reduce stress. In addition to short-term residential care, other services provided include education, counseling, assessment, and referral. Established in 1985, Harbour House is licensed by the State of Louisiana as a Child Residential Facility with a maximum capacity of 20 youth. The average length of stay for residents is 14 days.

The Transitional Living Program (TLP), formerly known as La Maison de Grace, is another residential service of ETC. The Transitional Living Program provides supervised apartment housing for youth ages 16-21 who are homeless or who are aging out of the juvenile justice and foster care systems. The program also provides scattered site housing for homeless youth ages 18-21. Services focus on vocational training, job attainment, educational advancement and money management.

Community-based services of Educational and Treatment Council, Inc. include in-home crisis counseling, child abuse prevention and intervention, home visitation, case management, Functional Family Therapy, and outpatient substance abuse treatment for juveniles.

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.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Public Support and Revenues

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Included in contributions revenue and program expenses is the estimated value of donated materials and equipment of \$40,698 and donated services of \$13,825. Donated goods and services were used to enhance program activities and operations. However, a substantial number of volunteers have donated significant amounts of time to the Council's programs services and its fundraising activities which have not been reflected in the financial statements inasmuch no objective basis is available to measure the value of such services.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable at June 30, 2017 of \$162,483 represents receivables from federal and state grants, all of which is deemed collectable.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash

Cash includes amounts in demand deposits. The Council's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2017, the carrying amount was \$886,858 and the bank balance was \$881,668, all of which was covered by federal depository insurance.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Council has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Council considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes

Educational and Treatment Council, Inc. is a nonprofit organization as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Educational and Treatment Council, Inc. has been determined by the Internal Revenue Service not to be a "private" foundation within the meaning of Section 170(b)(1)(A)(vi) of the Code.

Tax years 2014 through 2016 remain subject to examination by the IRS.

Advertising Costs

The Council expenses advertising costs as incurred. Expenses incurred were \$1,317 for 2017.

Subsequent Events

Management has evaluated subsequent events through December 20, 2017, the date the financial statements were available to be issued.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE B – FIXED ASSETS

The following is a summary of property and equipment as of June 30, 2017:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Land	\$ 25,000	\$ -	\$ 25,000
Buildings	1,242,406	(18,291)	1,224,115
Improvements	9,760	-	9,760
Transportation equipment	236,767	(17,474)	219,293
Equipment, furniture and fixtures	<u>306,411</u>	<u>(110,350)</u>	<u>196,061</u>
	1,820,344	(146,115)	1,674,229
Less: Accumulated Depreciation	<u>1,246,907</u>	<u>(119,013)</u>	<u>1,127,894</u>
Total	<u>\$ 573,437</u>	<u>\$ (27,102)</u>	<u>\$ 546,335</u>

Property and equipment is stated at cost, net of accumulated depreciation. Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Equipment, furniture and fixtures	5-10
Transportation equipment	5
Leasehold improvements	15

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 are available for the following purposes or periods:

Runaway Youth Act Program	<u>\$ 189</u>
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NOTE D – CONTINGENCIES

The Council receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE E – FUNCTIONAL ALLOCATION OF EXPENSES

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Council estimates of the relative proportion of various staff members' time and effort between programs and administrative functions.

NOTE F – SICK AND VACATION PAY

The first six months of employment are considered a new hire introductory period. Any days missed during this period are treated as non-compensatory leave. Sick leave begins to be accrued from the date of employment, but may not be used prior to the completion of six months continuous service and satisfactory completion of the introductory period. Sick leave for regular full-time employees is accumulated at the rate of eight hours per month of service. Part time employees who regularly work at least 20 hours per week accrue sick leave on a pro-rated basis based on the number of their regularly scheduled hours per day. Termination of service with the Council during this period results in forfeiture of all accrued sick leave.

After the introductory period, full time employees can begin utilizing sick leave, which is accrued at the rate of one day per month. This accrual of sick leave shall continue until the employee has accrued a maximum of 30 days sick leave. After this maximum has been achieved, no further sick leave shall be accrued until the balance is reduced below 30 days. Any employee terminating agency service shall not be compensated in any form for any unused accrued sick leave. Therefore, no liability has been accrued for these benefits.

Accrual of annual leave begins at the time the full or part time employee successfully completes the required introductory period. Full time employees begin accruing annual leave at the rate of eight hours per month up to 96 hours of annual leave each year of employment. After three years of service, the annual leave increases by eight hours for each additional year of service up to a maximum of 160 hours per year. Part-time employees who regularly work at least 20 hours per week accrued annual leave hours on a pro-rated basis. Unless additional carry over leave is approved by the Board, an employee may not carry over a maximum of 32 hours of annual leave time from one fiscal year to the next. Any carried over leave time must be used by the end of the second quarter of the next fiscal year (December 31) or it is lost. Upon termination of employment, regular employees will be paid for any accrued, but unused, annual leave. The dollar value of accrued leave at June 30, 2017 amounted to \$15,900.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G – JUVENILE SERVICES TAX

On May 5, 1984, the property owners of Calcasieu Parish passed the Juvenile Detention, Probation, and Services Tax. The Juvenile Services tax was originally approved by voters for 2.4 mills and the tax has since been renewed every 10 years. The Calcasieu Parish Policy Jury shall pay in two equal installments on a semi-annual basis in February of each year of the agreement, or as soon thereafter as ad valorem taxes are received by the Parish, and in October of each year of the agreement. For and in consideration of the payment of the foregoing lease sums, Educational and Treatment Council, Inc. shall provide juvenile services without further cost to the Court or the Calcasieu Parish Police Jury for emergency shelter services for children and family support services as described in the agreement.

NOTE H – OPERATING LEASE COMMITMENT

The Council leases up to seventeen apartment units for its transitional living program under operating leases expiring at various times during the year. Total lease expense for the year was \$102,460.

The Council entered into a 24-month operating lease in September 2015 for a vehicle. The lease requires the Council to pay \$209 per month. The Council entered into a 36-month operating lease in September 2014 for another vehicle. The lease requires the Council to pay \$327 per month. The total amount paid for the year was \$6,432. The following are future minimum rental payments required by the lease as of June 30, 2017:

	<u>Amount</u>
Year Ending June 30, 2018	\$ 1,608

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE I – LONG-TERM DEBT

Long-term debt at June 30, 2017 consists of:

Note payable to Ford Credit dated August 14, 2014, payable at \$262 per month including interest at 2.90%, maturity September 30, 2019, secured by a vehicle	\$ 6,552
Note payable to Ford Credit dated August 14, 2014, payable at \$278 per month including interest at 2.90%, maturity September 30, 2019, secured by a vehicle	<u>6,974</u>
	13,526
Less current maturities	<u>6,169</u>
Long-term debt	<u>\$ 7,357</u>

The annual requirements to amortize debts outstanding, excluding interest, are as follows:

Year ending	
<u>June 30,</u>	
2018	\$ 6,169
2019	6,350
2020	1,007

OTHER INFORMATION

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER

Year Ended June 30, 2017

Chief Executive Officer: Amy Dunn, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 65,450
Benefits - insurance	4,014
Benefits - retirement	-
Benefits - cell phone	-
Mileage	-
Vehicle provided by government	-
Per diem	-
Reimbursements	1,069
Travel	737
Registration fees	36
Conference travel	862
Continuing professional education fees	756
Housing	-
Unvouchered expenses	126
Meal reimbursements	-
Dues	-

EDUCATIONAL AND TREATMENT COUNCIL, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Disbursements/ Expenses</u>
U.S. Department of Health and Human Services Transitional Living for Homeless Youth	93.550	-	\$ 201,465 *
Pass-through from State of Louisiana Department of Social Services Title IV-B Part 2	93.556	-	312,968 *
<u>Other Federal Awards</u>			
U.S. Department of Health and Human Services Basic center program for Runaway Youth	93.623	-	89,250
Pass-through from State of Louisiana Department of Health and Hospitals Office of Mental Health	93.958	-	128,423
Pass-through from Calcasieu Parish Police Jury Drug Court	93.558	-	127,000
U.S. Department of Agriculture Pass-through from State of Louisiana Department of Education School Lunch Program	10.555	-	17,053
U.S. Department of Housing and Urban Development Emergency Shelter Grant	14.231	-	20,000
U.S. Department of Justice Pass-through from Calcasieu Parish Police Jury Crime Victims Assistance	16.575	-	<u>46,842</u>
Total Federal Awards			<u>\$ 943,001</u>

* - Major Programs

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED

Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Educational and Treatment Council, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Educational and Treatment Council, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Educational and Treatment Council, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- (2) The Educational and Treatment Council, Inc. has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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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

December 20, 2017

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, 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 Educational and Treatment Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 December 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Education and Treatment Council, Inc.'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 purposes of expressing an opinion on the effectiveness of the Education and Treatment Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Educational and Treatment Council, Inc.'s financial statements are free of 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*.

Educational and Treatment Council, Inc.'s Response to Findings

The Educational and Treatment Council, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Educational and Treatment Council, Inc.'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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grason Casiday & Guillory



Gragson, Casiday & Guillory, L.L.P.
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

December 20, 2017

Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Educational and Treatment Council, Inc.'s compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Educational and Treatment Council, Inc.'s major federal programs for the year ended June 30, 2017. Educational and Treatment Council, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Educational and Treatment Council, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Educational and Treatment Council, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Educational and Treatment Council, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Educational and Treatment Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Educational and Treatment Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Educational and Treatment Council, Inc.'s internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Educational and Treatment Council, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dragsen, Casiday & Guillory

EDUCATIONAL AND TREATMENT COUNCIL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? ___ Yes X No
 Control deficiencies identified not considered
 to be material weakness? X Yes ___ None reported
 Noncompliance material to financial statements
 noted? ___ Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified? ___ Yes X No
 Control deficiencies identified that is not considered
 to be material weakness? ___ Yes X None reported

Type of auditors' report issued on compliance
 for major programs: unqualified

Any audit findings disclosed that are required to
 be reported in accordance with Circular A-133,
 Section .510(a)? ___ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.556	Title IV-B Part 2
93.550	Transitional Living for Homeless Youth

Dollar threshold used to distinguish between
 Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes ___ No

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2017

SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

2017-001: Segregation of Duties

Condition: Because of the Council's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Action Taken/Response: Management concurs with this recommendation and has implemented supervision and review procedures to the extent possible.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SECTION IV – PRIOR YEAR FINDINGS

2016 – 001: Segregation of Duties

Condition: Proper segregation of duties for effective internal controls is not in place.

Status: Repeat finding in 2017.



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INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

December 20, 2017

We have performed the procedures included enumerated below, which were agreed to by the Educational and Treatment Council, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUP's) for the fiscal year July 1, 2016 through June 30, 2017. The Council's management is responsible for those C/C areas identified in the SAUP's.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the Council's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Council does not have any written policies and procedures), as applicable:
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
The Council is a nonprofit entity and budget adoption is not required.
 - b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
The Council has a complete written policies and procedures manual.
 - c) *Disbursements*, including processing, reviewing, and approving.
The Council has a complete written policies and procedures manual.
 - d) *Receipts*, including receiving, recording, and preparing deposits.
The Council has a complete written policies and procedures manual.

- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The Council has a complete written policies and procedures manual.

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The Council's written policies and procedures manual does not address this area.

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

The Council has a complete written policies and procedures manual.

- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The Council has a complete written policies and procedures manual.

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Council's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The Council has a complete written policies and procedures manual.

- j) *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Council's written policies and procedures manual does not address this area.

Council (or Finance Committee, if applicable)

- 2. Obtain and review the board minutes for the fiscal year, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The board met in accordance with by-laws.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the Council's prior audit (GAAP-basis).

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal year reflect that the board is monitoring the plan.

Monthly income statements with budgetary comparisons and variances are provided to the board. In addition, there was not a net asset deficit.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal year.

Minutes, where applicable, contained approval of non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of Council bank accounts from management and management's representation that the listing is complete.

The listing was provided by management.

4. Using the listing provided by management, select all of the Council's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal year and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for all of the bank accounts for all months in the fiscal year.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

There is no documentation that a member of management or a board member has reviewed each bank reconciliation.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

As of June 30, 2017, there appears to be six outstanding checks for more than six months that management has not documented reflecting research of reconciling items.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

The listing was provided by management.

6. Using the listing provided by management, select all of the Council's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

All employees are covered by a \$100,000 theft policy. One employee, the Bookkeeper, performs the functions: collections, records the transaction, and reconciles the bank account. The Executive Director performs bank deposits function. The Board Treasurer reviews monthly the bank statements and reconciliations as compensating controls performed. The entity does not have a cash drawer.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Council has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The bookkeeper performs all functions of collections, recording and reconciliations. Collections are copied and recorded by an independent individual, prior to submitting to the bookkeeper for deposit and reconciliation as a compensating control.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using Council collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

All deposits were made within one day of collections.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No evidence of exceptions was found during the testing.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Council has a process specifically defined (identified as such by the Council) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after

cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Council's policies include some of the processes specifically defined to determine completeness of all collections but they are generally performed by persons who are also responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of Council disbursements from management or, alternately, obtain the general ledger and sort/filter for Council disbursements. Obtain management's representation that the listing or general ledger population is complete.

The listing was provided by management.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Council had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

Randomly selected 25 disbursements and obtained supporting documentation for each transaction.

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Not applicable, Council does not use purchase order system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Not applicable, Council does not use purchase order system.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

All 25 disbursement invoices contained approved documentation.

10. Using Council documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the Council's purchasing/disbursement system.

The Bookkeeper has the authority to perform accounts payable payment processing and add vendors to the Council's system.

11. Using Council documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The Executive Director has signatory authority and authorization for disbursements. The Bookkeeper records purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review Council documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The Council's checks are printed on blank check stock. The Bookkeeper, who has no signature authority, maintains blank checks in a locked drawer.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The Council does not use signature stamps. Checks are maintained under the control of the signer until mailed.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The listing was provided by management.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the Council has less than 10 cards) that were used during the fiscal year, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of

certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

On the months tested, supporting documentation was reviewed and approved in writing, however not by someone other than the authorized card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No finance charges and/or late fees were assessed on the months tested.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).

Each transaction was supported by an original itemized receipt.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Documentation of business/public purpose was provided.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

All documentation appeared to be in order.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Council's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions were noted.

- c) For each transaction, compare the Council's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal year or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

The listing was provided by management.

18. Obtain the Council's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The Council does have a written travel and expense reimbursement policy. For actual reimbursements included in testing, none exceeded the GSA Rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Council does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

For the expense reimbursements tested, those did not exceed the GSA Rates.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Itemized receipts were provided for all expenses tested that identified what was purchased.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Each expense was supported by documentation of business purpose.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No other documentation is required.

- c) Compare the Council's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that

extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The Council's documentation of business/public purpose for tested expenses appeared to comply with the requirements of Article 7, Section 14 of the Louisiana Constitution.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each expense tested was supported by documentation, approval in writing by someone other than the person receiving reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

The listing was provided by management.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

The five highest paid vendors did not have formal/written contracts, but invoices were present for each payment.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Council complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

The contracts/vendors were not subject to the public bid law.

- If no, obtain supporting contract documentation and report whether the Council solicited quotes as a best practice.

Solicited quotes were not obtained.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

None of the contracts were amended.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No contracts were present.

- e) Obtain/review contract documentation and council minutes and report whether there is documentation of council approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No contracts were present.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

The listing was provided by management.

- a) Review compensation paid to each employee during the fiscal year and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

All selected employees were paid in strict accordance with the approved pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal year and report whether those changes were approved in writing and in accordance with written policy.

Changes to pay rate/salaries during the period were paid in accordance with written policy.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the Council had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All employees tested had documentation of attendance and leave.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

There was written documentation that supervisors approved attendance and leave.

- c) Report whether there is written documentation that the Council maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

The Council maintained written leave records reflecting the hours earned, the hours used, and the balance available.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

The listing was provided by management. The termination payments were made in strict accordance with policy.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Documentation reflected that payroll tax return/reports were timely filed and all payroll taxes. The Council did not have a retirement plan.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Council maintained documentation to demonstrate that required ethics training was completed.

Not applicable, this is a nonprofit organization.

27. Inquire of management whether any alleged ethics violations were reported to the Council during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Council's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management was not notified of any alleged or actual ethics violations during the fiscal year.

Debt Service

28. If debt was issued during the fiscal year, obtain supporting documentation from the Council, and report whether State Bond Commission approval was obtained.

Not applicable, this is a nonprofit organization.

29. If the Council had outstanding debt during the fiscal period, obtain supporting documentation from the Council and report whether the Council made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The Council made all scheduled debt service payments. The debt covenant did not require debt reserves.

30. If the Council had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The Council did not have tax millages related to debt service payments.

Other

31. Inquire of management whether the Council had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the Council reported the misappropriation to the legislative auditor and the Council attorney of the parish in which the Council is domiciled.

Management informed us that the Council did not have any misappropriation of public funds or assets during the fiscal year.

32. Observe and report whether the Council has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The Council did not have the required notice posted in a conspicuous place upon its premises or its website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

The practitioner did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUP's. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUP's, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Gragson Casiday & Guillory