

SCHAFFER GROUP, LTD.

CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA

**FINANCIAL STATEMENTS
(AUDIT REPORT)**

YEAR ENDED JUNE 30, 2017

**CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY**

CAPITAL DEFENSE FUND OF SOUTHEAST LOUISIANA
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INDEPENDENT AUDITOR'S REPORT

To the Director of
Capital Defense Project of Southeast Louisiana
New Orleans, LA

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Defense Project of Southeast Louisiana (a Louisiana Not-For-Profit Corporation), 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.

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United State of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provides 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 Capital Defense Project of Southeast Louisiana 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.

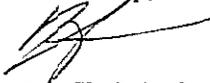
Other Matters

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 the Director is presented for purposes of additional analysis and is not a required part of the 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 11, 2017, on our consideration of Capital Defense Project of Southeast Louisiana'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 *Government Auditing Standards* in considering Capital Defense Project of Southeast Louisiana's internal control over financial reporting and compliance.

Schafer Group, LTD., LLC



Kernion T. Schafer, CPA
Managing Member
December 11, 2017

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETSCurrent Assets

Cash	\$ 458,202
Certificates of Deposit	549,449
Reimbursements Receivable	4,596
Prepaid Expense	<u>77,846</u>
Total Current Assets	<u>1,090,093</u>

Property and Equipment

Equipment	135,614
Furniture and Fixtures	57,871
Leasehold Improvements	<u>45,176</u>
Total Property and Equipment	238,661
Less: Accumulated Depreciation	<u>(197,835)</u>
Property and Equipment - Net	<u>40,826</u>

Other Assets

Deposit	<u>6,491</u>
Total Other Assets	<u>6,491</u>

TOTAL ASSETS	<u><u>\$ 1,137,410</u></u>
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See Independent Auditor's Report and Notes to the Financial Statements.

SCHAFER GROUP, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	5,326
Payroll Liabilities		<u>773</u>
Total Current Liabilities		<u>6,099</u>
Total Liabilities		<u>6,099</u>

Net Assets

Unrestricted	<u>1,131,311</u>
Total Net Assets	<u>1,131,311</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$</u>	<u>1,137,410</u>
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See Independent Auditor's Report and Notes to the Financial Statements.

SCHAFFER GROUP, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

<u>Revenue</u>	
Contract Revenue	\$ 921,000
Expert Expenditure Reimbursement	74,947
Rental Income	<u>13,500</u>
Total Revenue	<u>1,009,447</u>
 <u>Expenses</u>	
Program Service	1,177,470
Management and General	<u>266,315</u>
Total Expenses	<u>1,443,785</u>
Income (Loss) from Operations	<u>(434,338)</u>
 <u>Other Income (Expenses)</u>	
Interest Income	8,381
Other Income	2,286
Gain (Loss) on Disposal of Property and Equipment	<u>(87)</u>
Total Other Income (Expenses)	<u>10,580</u>
Change in Net Assets	<u>\$ (423,758)</u>
Net Assets, Beginning of Year	<u>1,555,069</u>
Net Assets, End of Year	<u>\$ 1,131,311</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Program <u>Service</u>	Management <u>& General</u>	<u>Total</u>
Accounting Expense	\$ -	\$ 23,188	\$ 23,188
Capital Representation	51,386	-	51,386
Contract Attorney	38,244	-	38,244
Depreciation	8,996	8,995	17,991
Dues, Seminars, and Subscriptions	29,962	-	29,962
Experts	2,260	-	2,260
Insurance	64,060	19,663	83,723
Investigators	18,118	-	18,118
Office Expense	6,442	6,442	12,884
Payroll and Payroll Taxes	679,890	122,437	802,327
Reimbursable Expert Expenditures	74,947	-	74,947
Rent	58,095	60,555	118,650
Repairs and Maintenance	987	986	1,973
SEP-IRA Contributions	52,538	11,386	63,924
Technical Support	7,008	7,008	14,016
Telephone	4,519	4,519	9,038
Travel	78,882	-	78,882
Miscellaneous	<u>1,136</u>	<u>1,136</u>	<u>2,272</u>
Total Expenses	<u>\$ 1,177,470</u>	<u>\$ 266,315</u>	<u>\$ 1,443,785</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (423,758)
Non Cash Items Included in Increase (Decrease) in Net Assets:	
Depreciation	17,991
Loss on Disposal of Property and Equipment	87
Decrease (Increase) in Current Assets:	
Reimbursements Receivable	(2,825)
Prepaid Expense	16,310
Increase (Decrease) in Current Liabilities:	
Accounts Payable	2,224
Payroll Liabilities	<u>101</u>
Net Cash Provided By (Used in) Operating Activities	<u>(389,870)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(12,727)
(Increase) Decrease in Certificates of Deposit	(5,305)
(Increase) Decrease in Deposits	<u>375</u>
Net Cash Provided by (Used in) Investing Activities	<u>(17,657)</u>

Net Increase (Decrease) in Cash	\$ (407,527)
Cash and Cash Equivalents, Beginning of Year	<u>865,729</u>
Cash and Cash Equivalents, End of Year	<u>\$ 458,202</u>

SUPPLEMENTAL DISCLOSURES ON CASH FLOW INFORMATION

Cash Paid During the Year For:	
Interest	\$ -
Income Taxes	\$ -

See Independent Auditor's Report and Notes to the Financial Statements

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Capital Defense Project of Southeast Louisiana (Project) is a non-profit 501(c)(3) law office funded by the State of Louisiana Public Defender Board to provide legal representation in the form of "criminal defense services at trial" in capital cases where there exists an ethical conflict in the representation of indigents by the 22nd Judicial District Public Defenders Office, where the Public Defender's Office lacks the capacity to accept an additional capital case, and where the representation of indigents in capital cases in Orleans Parish indicted after August 29, 2005, and in pre-indictment cases, as funding permits, and in other capital cases in parishes statewide, as needed; in cases remanded on appeal for further hearings or retrial statewide subject to agreement with the local District Defender's office; and in any case, statewide, where appointed counsel has sought consultation services and provision of those services has been approved by the State Public Defender or Capital Case Coordinator and the Capital Defense Project.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification 958, Not-for-Profit Entities*. Under FASB ASC 958, the Project is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The only limits on the use of unrestricted net assets are the broad limits resulting from the following:

- The nature of the not-for-profit;
- The environment in which the not-for-profit operates;
- The purpose specified in the not-for-profit's articles of incorporation or bylaws; and
- Limits resulting from contractual agreements with suppliers, creditors, and others entered into by the not-for-profit in the course of its business.

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the not-for-profit pursuant to those stipulations.

Permanently Restricted Net Assets – Net Assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the not-for-profit.

D. Use of 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.

E. Cash and Cash Equivalents

For the purpose of cash flows, the Project considers all unrestricted highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

F. Reimbursements Receivable

Reimbursements Receivable consists of reimbursements approved by the Louisiana Public Defender Board for expenditures incurred by June 30, 2017 that had not been received by the Project by year-end.

The Project considers all Reimbursements Receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts recorded.

G. Property and Equipment

Property and Equipment purchases are recorded and carried at cost. Depreciation is computed on the straight-line method over the following estimated useful lives:

Equipment	5 – 7 years
Furniture and Fixtures	7 years
Leasehold Improvements	10 years

Depreciation expense for the year ended June 30, 2017 was \$17,991.

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

It is the policy of the Project to capitalize all property and equipment with a useful life of more than one year.

The Project did not receive any donations of property and equipment during the year ended June 30, 2017.

H. Income Tax Status

The Project is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the Project's tax-exempt purpose would be subject to taxation as unrelated business income.

The Company's federal and state tax returns are subject to possible examination by taxing authorities generally for a period of three years from the filing of those returns.

Note 2. CONTRACT REVENUE

Contract revenue is comprised of funds received under a contract with the Louisiana Public Defender Board. Contract revenue is recorded over the period covered by the original contract. Any amendments to the contract are recorded in the period received. Contract Revenue is reported as an increase in unrestricted net assets since the use of the funds outlined by the Louisiana Public Defender Board pertains to the primary purpose of the Project specified in the Project's Articles of Incorporation. See Note 1C.

The contracts for the year ended June 30, 2017 provided \$921,000 to the Project. Therefore, total contract revenue for the year ended June 30, 2017 was \$921,000 .

Note 3. RESTRICTIONS ON NET ASSETS

Net assets consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Net Assets, Beginning of Year	\$1,555,069	\$ -	\$ -
Change in Net Assets	423758	\$ -	\$ -
Net Assets, End of Year	<u>\$1,131,311</u>	<u>\$ -</u>	<u>\$ -</u>

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 4. CONCENTRATIONS OF CREDIT RISK

At times throughout the year, the Project's interest-bearing, cash accounts and certificates of deposit held at its financial institution exceeded federally insured limits. All deposits owned by the Project at the same financial institution are combined and insured up to \$250,000 by the Federal Deposit Insurance Corporation. All cash and certificates of deposit of the Project are held at one financial institution. At June 30, 2017, \$799,064 of cash and certificates of deposit was uninsured.

All contract revenue for the year ended June 30, 2017 was from the Louisiana Public Defender Board.

At June 30, 2017, all reimbursements receivable were due from the Louisiana Public Defender Board.

Note 5. LEASES

The Project leases office space from an unrelated party. Rent expense for the year ended June 30, 2017 was \$116,189. Effective September 01, 2017, the Project entered into a new lease that expires August 30, 2020. Future minimum lease payments are as follows:

<u>Year Ending June 30:</u>	
2018	\$ 65,615
2019	50,500
2020	54,500
2021	9,250
2022	0

The Project also leases storage space from an unrelated party on a month to month basis. Rent expense for the year ended June 30, 2017 was \$2,461.

Note 6. SEP-IRA

The Project offers a Simplified Employee Pension plan (SEP-IRA) to its employees after one year of employment. The Project contributes a maximum of 10% of an employee's annual base salary. Contributions for the year ended June 30, 2017 were \$63,924.

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 7. COMPENSATED ABSENCES

The full-time employees of the Project are entitled to paid vacation and sick leave. However, any unused vacation or sick leave cannot be used in subsequent years. Therefore, an accrual of unused vacation and sick leave has not been recorded.

Note 8. SUBSEQUENT EVENTS

Management evaluated subsequent events through December 11, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO DIRECTOR
YEAR ENDED JUNE 30, 2017**

DIRECTOR: Kerry P. Cuccia

PURPOSE	AMOUNT
Payroll	\$ 125,000
Simple IRA Contributions	\$ 12,500
Insurance - Health	\$ 13,052
Insurance - Disability	\$ 1,269
 <u>Reimbursements</u>	
Travel	\$ 8,358
Dues, Seminars, and Subscriptions	\$ 1,621
Office Expense	\$ 132

See Independent Auditor's Report.

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IX.

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INDEPENDENT AUDITOR'S 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
Capital Defense Project of Southeast Louisiana
New Orleans, LA

We have audited, 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, the financial statements of Capital Defense Project of Southeast Louisiana (a Louisiana Not-for-Profit Corporation), 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, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital Defense Project of Southeast Louisiana'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 the Capital Defense Project of Southeast Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Capital Defense Project of Southeast Louisiana'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

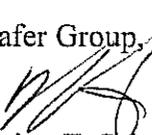
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital Defense Project of Southeast Louisiana'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*.

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.

Schafer Group, LTD., LLC



Kernion T. Schafer, CPA
Managing Member

December 11, 2017

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

We have audited the financial statements of Capital Defense Project of Southeast Louisiana as of and for the year ended June 30, 2017, and have issued our report thereon dated December 11, 2017. 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 June 30, 2017, resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards Not Applicable

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Type of Opinion On Compliance for Major Programs

Unqualified Qualified Disclaimer Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

Yes No

Was a management letter issued? Yes No

c. Identification of Major Programs: Not Applicable

CFDA Number (s)

Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$_____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? Yes No

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

Section II - Financial Statement Findings

No Section II Findings.

Section III - Federal Award Findings and Questioned Costs

No Section III Findings.

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2017**

SECTION I

**INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FINANCIAL STATEMENTS**

Not applicable.

SECTION II

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable.

SECTION III

MANAGEMENT LETTER

Not applicable.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT.

SCHAFFER GROUP, LTD.

CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

YEAR ENDED JUNE 30, 2017

**CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Director of Capital Defense Project of Southeast Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Capital Defense Project of Southeast Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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 documented in the attached Schedule of Procedures, Findings, and Management's Response.

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 SAUPs. Accordingly, we do not express such an opinion or 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 SAUPs, 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.



Kernion T. Schafer
Managing Member
December 19, 2017

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
SCHEDULE OF PROCEDURES, FINDINGS, AND MANAGEMENT'S RESPONSE
YEAR-ENDED JUNE 30, 2017**

PROCEDURES	FINDINGS	MANAGEMENT'S RESPONSE <i>(Responses are per Kerry P. Cuccia, Director)</i>
Written Policies and Procedures		
1. Obtain the entity'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 entity does not have any written policies and procedures), as applicable:		
a) Budgeting , including preparing, adopting, monitoring, and amending the budget	The Capital Defense Project of Southeast Louisiana's (Entity) annual "Contract For Criminal Defense Services on Behalf of Indigents Accused of Capital Crimes" requires the entity to prepare a comprehensive annual budget in a format approved by the State Public Defender or Capital Case Coordinator presenting a complete financial plan for its upcoming fiscal year and furnish a copy of its complete budget to the Louisiana Public Defender Board. However, no written procedures regarding the monitoring and amending the budget were noted.	Kerry P. Cuccia, Director, is actively involved in daily operations and administration. Accounting, payroll, and bookkeeping are outsourced to a Certified Public Accountant using data supplied by the Entity's Office Manager. Management will be documenting in a written operations manual their policies and procedures that address these financial/business functions.
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 Entity's "Employment Policies and Procedures" manual does address how hiring of expert witnesses, investigators, or other consultants are initiated. However, there are no written procedures regarding how vendors are added to the vendor list, nor the preparation and approval process of purchase orders. The entity is not subject to public bid law.	
c) Disbursements , including processing, reviewing, and approving	The Entity's "Employment Policies and Procedures" manual addresses the parties responsible for processing, reviewing, and approving disbursements.	
d) Receipts , including receiving, recording, and preparing deposits	The Entity's "Employment Policies and Procedures" manual addresses receiving, recording, and preparing deposits. However, it does not specify the individual(s) responsible for the receiving and preparing tasks noted above.	
e) Payroll/Personnel , including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.	The Entity's "Employment Policies and Procedures" manual identifies who is responsible for payroll processing. It does not address who is responsible for reviewing and approving time and attendance records, including leave and overtime worked.	
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 Entity's annual "Contract For Criminal Defense Services on Behalf of Indigents Accused of Capital Crimes" (Contract) restricts the funds received to be exclusively used to fund cases as described in the Contract. The Entity does not have a written policies and procedures dedicated to Contracting.	

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PROCEDURES	FINDINGS	MANAGEMENT'S RESPONSE <i>(Responses are per Kerry P. Cuccia, Director)</i>
g) <i>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</i>	The Entity's "Employment Policies and Procedures" manual addresses allowable business uses, documentation requirements for purchases, required approvers, and states that all receipts are to be given to the Office Manager. It does not address how cards are to be controlled. Credit Cards are issued only to Director and Office Manager.	<i>See Management's Response at Page 1.</i>
h) <i>Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers</i>	The Entity's "Employment Policies and Procedures" manual addresses: 1. that the Entity does not cover amenity costs, fines for traffic violations, and alcoholic beverages; 2. that the reimbursements for Transportation, lodging, and meals is governed by the State of Louisiana Travel Guide for state employees and that mileage is reimbursed at the rate per mile set by the State of Louisiana for use of personally owned vehicles; 3. documentation requirements; and 4. required approvers.	<i>See Management's Response at Page 1.</i>
i) <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 entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.</i>	N/A - Entity is a non-profit 501(c)(3)	N/A
j) <i>Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.</i>	N/A - Entity is a non-profit 501(c)(3)	N/A
Board (or Finance Committee, if applicable)		
2. Obtain and review the board/committee minutes for the fiscal period, and:		
a) <i>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.</i>	The managing board did not meet monthly.	-
b) <i>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 entity's prior audit (GAAP-basis).</i>	The minutes did not include monthly budget-to-actual comparisons.	

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<i>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 period.</i>	The minutes did not reference or include non-budgetary financial information.	-
Bank Reconciliations		
<i>3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.</i>	The Office Manager provided a listing of Entity bank accounts, and the Director confirmed that the listing was complete.	N/A
<i>4. For each of the bank accounts included in the listing provided by management, obtain bank statements and reconciliations for all months in the fiscal period and report whether:</i>		
<i>a) Bank reconciliations have been prepared;</i>	All bank statements were reconciled monthly (checking) or quarterly (certificate of deposit) within QuickBooks.	<i>Bank reconciliations are prepared by an Outside Certified Public Accountant using QuickBooks. The bank reconciliations are reviewed by Office Manager. QuickBooks does not provide a feature for approving the reconciliation within the software.</i>
<i>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</i>	The bank reconciliations did not include evidence that a member of management or a board member reviewed the reconciliation. However, the Office Manager confirmed that she reviewed all the bank reconciliations.	
<i>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.</i>	The June 2017 checking bank reconciliation contains reconciling items that have been outstanding for more than six months. The Entity does not have documentation reflecting that it had researched these reconciling items.	
Collections		
<i>5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.</i>	The Office Manager provided a listing of all locations maintained by Entity, noting there was only one location, and the Director confirmed that the listing was complete.	N/A
<i>6. Using the listing provided by management, select all of the entity'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:</i>		

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PROCEDURES	FINDINGS	MANAGEMENT'S RESPONSE <i>(Responses are per Kerry P. Cuccia, Director)</i>
<p>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.</p>	<p>(1) The Entity has a Crime Insurance policy that covers employee theft. (2) Per discussion with the Office Manager, the Office manager is responsible for collecting and depositing the cash in the bank. The "Employment Policies and Procedures" manual states that the Outside CPA is responsible for recording the related transaction and reconciling the related bank account. (3) N/A - There are no cash registers or drawers.</p>	N/A
<p>b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity 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.</p>	<p>All public funds received by the Entity were from the Louisiana Public Defender Board (LPDB). The Entity was 100% funded by LPDB in accordance with the "FY17 Contract for Criminal Defense Services on Behalf of Indigents Accused of Capital Crimes" and related Amendments. Funds received in accordance with Contract were received by the Entity via EFT. Total Contract Revenue per June 30, 2017 audited Statement of Activities agreed to "FY17 Contract for Criminal Defense Services on Behalf of Indigents Accused of Capital Crimes - Amendment #2" and to the Office of Statewide Reporting and Accounting Policy Vendor Search for the year ended June 30, 2017. In addition, the Entity receives funding from LPDB to cover the cost of services incurred for expert witnesses. These reimbursements from LPDB are received via check and deposited by the Office Manager. The Office Manager maintains a spreadsheet of expert expenditures that is used to track the expenditure, reimbursement request, and reimbursement. Total Expert Expenditure Reimbursement per June 30, 2017 audited Statement of Activities agreed to Reimbursable Expert Expenditures per June 30, 2017 audited Statement of Functional Expenses. See #6a above.</p>	N/A
<p>c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:</p>	N/A - See #6b above.	N/A

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<p>∅ Using entity 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.</p>	N/A - See #6b above.	N/A
<p>∅ 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.</p>		
<p>7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) 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.</p>	See #6 above.	<p>Each month the Office manager checks the bank statement to ensure that 1/12th of their Contract amount is direct deposited. If a payment is not received in any given month, the Office Manager ensures that missed payments are caught up in subsequent months. Reimbursements from LPDB are monitored weekly by the Office Manager.</p>
<p>Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)</p>		
<p>8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.</p>	<p>The Office Manager provided the general ledger, and the Director confirmed that the general ledger was complete.</p>	N/A
<p>9. Using the disbursement population from #8 above, randomly select 25 disbursements, 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:</p>		

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PROCEDURES	FINDINGS	MANAGEMENT'S RESPONSE <i>(Responses are per Kerry P. Cuccia, Director)</i>
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.	No requisition/purchase order system or equivalent electronic system present.	<p><i>Other than office supplies, Kerry P. Cuccia, Director must approve all purchases. The Office Manager may purchase office supplies without approval from the Director. Purchase requests are submitted to the Director or Office Manager either verbally or via e-mail. Payments to D. Olasky have no invoice. Olasky is a contract investigator and is given a certain caseload responsibility by the Director. Olasky operates on a verbal agreement with the Director. Due to the small size of the Entity, a formal requisition/purchase order system or an equivalent electronic system is not warranted. The Director and Office Manager are actively involved in daily operations and administration of the Entity, and they communicate frequently. The Office Manager is responsible for processing payment. The Director is responsible for signing all checks and approving the corresponding invoice. Bookkeeping is outsourced to a Certified Public Accountant. The Outside CPA records disbursements based on coding of the check stubs performed by Office Manager.</i></p>
b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.	No requisition/purchase order system or equivalent electronic system present.	
c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.	(1) No requisition/purchase order system or equivalent electronic system present. (2) No receiving reports or equivalent electronic system present. (3) All selected transactions had an approved invoice except for those transactions with D. Olasky.	
10. Using entity 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 entity's purchasing/disbursement system.	The Entity does not have written policies and procedures that address whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.	
11. Using entity 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 Entity's "Employment Policies and Procedures" manual states that the Outside CPA records purchases but has no signatory authority.	
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 entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.	Unused checks are maintained in two separate locked locations, with access restricted to the Office Manager and Outside CPA, both of whom do not have signatory authority.	N/A
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.	Not applicable. All checks are manually signed.	N/A

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PROCEDURES	FINDINGS	MANAGEMENT'S RESPONSE <i>(Responses are per Kerry P. Cucclia, Director)</i>
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 Office Manager provided a listing of all active credit cards, bank debit cards, fuel cards, and P-cards, noting there were only two cards, and the Director confirmed that the listing was complete.	N/A
15. For each credit card included in the listing prepared by management, 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:		
<p>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.]]</p> <p>b) Report whether finance charges and/or late fees were assessed on the selected statements.</p>	For the selected credit card statements, there was supporting document for each transaction therein except for those noted in #16.a below. The Office Manager and Director are the two card holders. The Director reviewed the statements. No review or approval of the statements was performed by a non-cardholder. The selected credit card statements were paid in full, thus no late fees or finance charges were assessed.	<i>Due to size and structure of the Entity, review and approval of transactions by a non-cardholder is not feasible.</i>
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)	For each transaction in the selected credit card statements, there was an itemized receipt present except for four transactions (Peppers Pizzeria, two at Fremins, and Geaux Fish) for group meals purchased by the Director while in Thibodaux, LA.	--
∅ Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.	For each transaction in the selected credit card statements, there was documentation of the business/public purpose.	N/A
∅ Other documentation that may be required by written policy (e.g., purchase order, written authorization.)	N/A - No other documentation required by written policy.	N/A

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<i>b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity'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.</i>	The supporting documentation for each transaction was in accordance with the "Employment Policies and Procedures" manual. Due to the low dollar amount and nature of transactions, the transactions were not subject to Louisiana Public Bid Law.	N/A
<i>c) For each transaction, compare the entity'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.</i>	No transactions prohibited by Article 7, Section 14 of the Louisiana Constitution were noted.	N/A
<i>Travel and Expense Reimbursement</i>		
<i>17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.</i>	The Office Manager provided the general ledger, and the Director confirmed that the general ledger was complete.	N/A
<i>18. Obtain the entity'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.</i>	The Entity's "Employment Policies and Procedures" addresses that the reimbursements for transportation, lodging, and meals is governed by the State of Louisiana Travel Guide for state employees and that mileage is reimbursed at the rate per mile set by the State of Louisiana for use of personally owned vehicles.	N/A

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<p>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:</p>		
<p>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 entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.</p>		
<p>b) Report whether each expense is supported by:</p>	<p>Each transaction selected for testing was reimbursed in accordance with the Entity's "Employment Policies and Procedures" manual, was supported by a receipt, had a documented business purpose, and was approved by the Director. No transactions prohibited by Article 7, Section 14 of the Louisiana Constitution were identified.</p>	<p><i>The Office Manager reviews and reconciles all expense reimbursement reports, including the Director's, to the related supporting documentation. The expense reimbursement reports and supporting documentation are forwarded to the Director for his review. Due to Entity's size and structure, additional approval of expenditures incurred by the Director is not required.</i></p>
<p>∅ 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.]</p>		
<p>∅ Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).</p>		
<p>∅ Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)</p>		
<p>c) Compare the entity'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.</p>	<p>Reimbursements to the Director are not approved by someone other than the Director.</p>	
<p>d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.</p>		

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PROCEDURES	FINDINGS	MANAGEMENT'S RESPONSE <i>(Responses are per Kerry P. Cuccia, Director)</i>
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 Office Manager provided the general ledger, and the Director confirmed that the general ledger was complete.	N/A
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.	A formal/written contract/invoice was noted for each selection except for the following: Payments to D. Olasky and E. Gordon.	<i>The noted exceptions are for payments to contractors of the Entity. There are no formal/written contracts with these individuals. Olasky is a contract investigator and is given a certain caseload responsibility by the Director. Olasky operates on a verbal agreement with the Director. Gordon is an outside consultant that is paid an agreed upon hourly rate for actual services performed.</i>
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 entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)	No transactions subject to Louisiana Public Bid Law or Procurement Code found.	N/A
∅ If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.		
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.	No contract amendments noted.	N/A
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.	For those payments with a formal/written contract, a supporting invoice was obtained and agreed to the related payment. For those payments without a formal/written contract, see #21.a above.	N/A

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e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawason Act or Home Rule Charter).	See #2 above	N/A
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 Office Manager provided a listing of employees with their related salaries, and the Director confirmed that the listing was complete.	N/A
a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.	The Entity's annual budget template that is completed and submitted to Louisiana Public Defender Board (see discussion at 1(a) above) requires an annual and monthly salary estimates breakdown by title. The Entity's annual "Contract For Criminal Defense Services on Behalf of Indigents Accused of Capital Crimes" requires the Entity to furnish LPDB with copies of its payroll registers twice annually during the contract period. The Entity submitted payroll listings that provided the name, title, annual salary, monthly salary, and employment status (i.e. employee or contractor) for each employee at least twice annually. No employee contracts present.	<i>The Director uses as a reference the 2004 LA Defense Association Board (predecessor of LPDB) that provides a guide for salary ranges by position, which he adjusted for caseload, duties, and cost of living. Hourly pay rate/salary adjustments are approved by the Director (by email) who notifies the Office Manager who notifies the Outside Certified Public Accountant who is responsible for payroll processing. The Director is responsible for signing all payroll checks.</i>
b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.	Changes made to hourly pay rates/salaries are not approved in writing.	
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 entity had less than 25 employees during the fiscal period), and:	Attendance and leave records for the week of 04/08/2017-04/14/2017 obtained.	
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.)	Selected employees documented their daily attendance and leave.	N/A

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b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.	For each employee selected, management's electronic approval was noted.	N/A
c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.	For each employee selected, leave balances were recorded.	N/A
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 Office Manager provided a listing of employees terminated during the fiscal year, and the Director confirmed that the listing was complete. The calculation of final pay for the two employees selected was obtained, and it was noted employees were paid out appropriately in accordance with the Entity's "Employment Policies and Procedures" manual, except for one individual who was paid out 6 weeks of severance.	<i>Terminated employees are paid a severance amount that depends on position, title, and length of service. Severance is at the discretion of the Director. The amount of historical severance (in weeks) given to terminated employees is tracked in house. The Entity uses this as a guide in aiding the determination of severance pay to terminated employees.</i>
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.	All payroll taxes and pension contributions were properly documented, filed, and paid timely.	N/A
Ethics (excluding nonprofits)		
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 entity maintained documentation to demonstrate that required ethics training was completed.		
27. Inquire of management whether any alleged ethics violations were reported to the entity 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 entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.	N/A - The Entity is a nonprofit.	N/A

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA
SCHEDULE OF PROCEDURES, FINDINGS, AND MANAGEMENT'S RESPONSE
YEAR-ENDED JUNE 30, 2017**

PROCEDURES	FINDINGS	MANAGEMENT'S RESPONSE <i>(Responses are per Kerry P. Cuccla, Director)</i>
Debt Service (excluding nonprofits)		
28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.	N/A - The Entity is a nonprofit.	N/A
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.		
30. If the entity 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.		
Other		
31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.	No misappropriations of public funds or assets.	N/A
32. Observe and report whether the entity 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 Notice was visibly posted in mail room.	N/A
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.	No exceptions regarding management's representations were noted.	N/A

Note: Outside CPA referenced herein is not Schafer Group Ltd., LLC.