

Marketing Education Retail Alliance, Inc.
Baton Rouge, Louisiana
June 30, 2017

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**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
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Independent Auditor's Report

To the Board of Directors
Marketing Education Retail Alliance, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Marketing Education Retail Alliance, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marketing Education Retail Alliance, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years 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 agency head or chief executive officer 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 January 23, 2018, on our consideration of Marketing Education Retail Alliance, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marketing Education Retail Alliance, Inc.'s internal control over financial reporting and compliance.


January 23, 2018

Marketing Education Retail Alliance, Inc.
Statements of Financial Position
June 30, 2017 and 2016

	Assets	
	<u>2017</u>	<u>2016</u>
Due from related party	\$ 31,944	\$ 123,778
Total assets	<u>\$ 31,944</u>	<u>\$ 123,778</u>
 Liabilities and Net Assets		
Cash overdraft	\$ 8,697	\$ -
Accounts payable	23,247	123,778
Total liabilities	<u>31,944</u>	<u>123,778</u>
Unrestricted Net Assets	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 31,944</u>	<u>\$ 123,778</u>

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

Marketing Education Retail Alliance, Inc.
Statements of Activities
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue and Other Support		
State grant	\$ 675,563	\$ 675,563
	<u>675,563</u>	<u>675,563</u>
Total revenue and other support	<u>675,563</u>	<u>675,563</u>
Expenses		
Program services	647,274	647,274
Supporting services	28,289	28,289
	<u>675,563</u>	<u>675,563</u>
Total expenses	<u>675,563</u>	<u>675,563</u>
Change in Unrestricted Net Assets	-	-
Unrestricted Net Assets, beginning of year	-	-
Unrestricted Net Assets, end of year	<u>\$ -</u>	<u>\$ -</u>

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

Marketing Education Retail Alliance, Inc.
Statements of Functional Expenses
Years Ended June 30, 2017 and 2016

	June 30, 2017			June 30, 2016		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Administrative Expenses						
Contract services	\$ 135,304	\$ -	\$ 135,304	\$ 135,304	\$ -	\$ 135,304
Equipment rental	11,532	-	11,532	11,532	-	11,532
Rent	7,700	-	7,700	7,700	-	7,700
Telephone	6,354	-	6,354	6,354	-	6,354
Office supplies	6,001	-	6,001	6,001	-	6,001
Public relations	2,000	-	2,000	2,000	-	2,000
Total administrative expenses	168,891	-	168,891	168,891	-	168,891
Operating Expenses						
Accounting/bookkeeping	-	24,000	24,000	-	24,000	24,000
Professional services	-	4,289	4,289	-	4,289	4,289
Administrative support	19,000	-	19,000	19,000	-	19,000
Total operating expenses	19,000	28,289	47,289	19,000	28,289	47,289
Travel	1,000	-	1,000	1,000	-	1,000
Marketing Education Grants	458,383	-	458,383	458,383	-	458,383
Total expenses	<u>\$ 647,274</u>	<u>\$ 28,289</u>	<u>\$ 675,563</u>	<u>\$ 647,274</u>	<u>\$ 28,289</u>	<u>\$ 675,563</u>

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

Marketing Education Retail Alliance, Inc.
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in unrestricted net assets	\$ -	\$ -
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities		
(Increase) decrease in assets:		
Due from related party	91,834	(93,400)
Increase (decrease) in liabilities:		
Accounts payable	(100,531)	93,400
	<u>(8,697)</u>	<u>-</u>
Net Increase in Cash Overdraft	<u>(8,697)</u>	<u>-</u>
Cash Overdraft, beginning of year	<u>-</u>	<u>-</u>
Cash Overdraft, end of year	<u><u>\$ (8,697)</u></u>	<u><u>\$ -</u></u>

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

Marketing Education Retail Alliance, Inc.
Notes to Financial Statements
June 30, 2017

Note 1-Nature of Operations

Marketing Education Retail Alliance, Inc. (MERA) is a not-for-profit organization formed on June 21, 2000 to increase marketing education in Louisiana by assisting in the expansion, training, and enhanced enrollment of members in Distributive Education Clubs of America by rewarding and motivating students. MERA's revenue is derived from a cooperative endeavor agreement with the Louisiana Department of Economic Development, a Louisiana Public Corporation, to channel funds directly to the classroom through a grant process, for worthy, creative, and innovative opportunities to assist students in achieving their full potential. MERA works with local and national merchants and businesses through the Louisiana Retailers Association (LRA) to ensure the best preparation of the leaders of our future.

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

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.

MERA reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets include those net assets whose use by MERA is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by MERA has been limited by donors (a) to later periods of time or other specific dates or (b) for specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting MERA's use of the assets. At June 30, 2017 and 2016, MERA had no temporarily or permanently restricted net assets.

B. 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 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 the estimates that were used.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, MERA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

D. Income Taxes

MERA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity other than a private foundation within the meaning of Section 509(a). Accordingly, no provision has been made for income taxes.

Marketing Education Retail Alliance, Inc.
Notes to Financial Statements
June 30, 2017

Note 2-Summary of Significant Accounting Policies (Continued)

D. Income Taxes (Continued)

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If MERA were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors.

E. Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation. These changes had no effect on previously reported change in unrestricted net assets or unrestricted net assets.

Note 3-Related Party

MERA is related to LRA through common governance. LRA provides administrative and operating support to MERA. The total amount paid for these services was \$168,891 for the years ended June 30, 2017 and 2016.

MERA was owed \$31,944 and \$123,778 from LRA as of June 30, 2017 and 2016, respectively. As of June 30, 2017, management considered all amounts due from related party to be fully collectible, therefore no allowance had been established.

Note 4-Contingencies

MERA participates in a state grant program, which is governed by various rules and regulations. Costs charged to the grant program are subject to audit and adjustment by the grantor agency; therefore, to the extent that MERA has not complied with the rules and regulations governing the grant, refunds of any money received and the collectability of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs disallowed would be recognized in the period agreed upon by the grantor agency and MERA.

Note 5-Economic Dependency

MERA receives all of its revenue from a grant administered by the State of Louisiana. The grant amount is appropriated each year by the state government. If significant budget cuts are made at the federal and/or state level, the amount of funds received by MERA could be reduced significantly by an amount that could adversely impact its operations. Management is not aware of any actions that will adversely affect the amount of grants and contracts the organization will receive in the next fiscal year.

Marketing Education Retail Alliance, Inc.
Notes to Financial Statements
June 30, 2017

Note 6-Subsequent Events

MERA evaluated all subsequent events through January 23, 2018, the date the financial statements were available to be issued. As a result, MERA noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

Marketing Education Retail Alliance, Inc.
Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer
Year Ended June 30, 2017

Agency Head Name: Dawn Johnson, Administrator

Salary	\$0
Benefits - insurance	0
Benefits - retirement	0
Benefits - cell phone	0
Car allowance	0
Vehicle provided by agency	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0



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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
Marketing Education Retail Alliance, Inc.
Baton Rouge, 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 Marketing Education Retail Alliance, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Marketing Education Retail Alliance, 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 purpose of expressing an opinion on the effectiveness of Marketing Education Retail Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (2017-002 and 2017-003).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marketing Education Retail Alliance, Inc.'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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that are required to be reported under Government Auditing Standards and which is described in the accompany schedule of findings and responses as items (2017-001, 2017-002, 2017-003).

Marketing Education Retail Alliance, Inc.'s Response to Findings

Marketing Education Retail Alliance, Inc.'s responses to the findings identified in our audits are described in the accompanying schedule of findings and responses. Marketing Education Retail Alliance, Inc.'s responses were not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

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.


January 23, 2018

Marketing Education Retail Alliance, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2017

Part I - Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of Marketing Education Retail Alliance, Inc. as of and for the year ended June 30, 2017, and the related notes to the financial statements.
- 2) Two deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) Three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

Part II - Financial Statement Findings

2017-001: Filing of Report with Louisiana Legislative Auditor

Condition:

Financial statements were not timely filed with the Louisiana Legislative Auditor.

Criteria:

LSA-RS 24:513 (5)(a) requires the engagement to be completed within six months of the close of the entity's fiscal year.

Cause:

The Organization did not close its books in a timely manner.

Effect:

The Organization's financial statements were not timely filed.

Auditor's Recommendation:

To comply with state laws and regulations, the Organization should close its books promptly.

Management's Corrective Action Plan:

MERA has discussed the situation with the auditor and determined that the books should be closed within three (3) months of the close of the fiscal year. Closing the books within three (3) months of the fiscal year will allow ample time for the audit process to be completed prior to the deadline with built-in time allowances for any unforeseen delays that may occur.

Marketing Education Retail Alliance, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2017

Part II - Financial Statement Findings (Continued)

2017-002: Material Noncompliance with Grant Agreement

Condition:

Cost reports submitted to Louisiana Department of Economic Development (LED) for reimbursement included expenses that had not been paid.

Criteria:

Per MERA's contract with LED, payments from LED shall only be made on a reimbursement basis. MERA's submission of cost reports requesting reimbursement shall constitute a certification that such costs or expenses have been incurred and paid for services that have been rendered.

Cause:

MERA submitted cost reports for reimbursement that included expenses that had not been paid.

Effect:

The submission of cost reports requesting reimbursement for expenses that had not been paid resulted in noncompliance.

Auditor's Recommendation:

MERA should only submit cost reports for reimbursement that include expenses for which payment has been made.

Management's Corrective Action Plan:

As evidenced from the prior year audit, the amount advanced was significantly decreased in the last year. Currently, no advanced payments are being made, which will ensure that this finding will not be repeated.

2017-003: Improper Related Party Transactions

Condition:

MERA advanced money to a related party throughout the year, resulting in a related party receivable of \$31,944 and payables to outside vendors of \$23,247 at June 30, 2017.

Criteria:

In accordance with its grant agreement, MERA is not allowed to advance funds without approval from LED.

Cause:

MERA used grant funds to make cash advances to a related party.

Marketing Education Retail Alliance, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2017

Part II - Financial Statement Findings (Continued)

2017-003: Improper Related Party Transactions (Continued)

Effect:

The transactions were not in accordance with the grant agreement and resulted in MERA recording accounts payable in the amount of \$23,247 at June 30, 2017, which represented checks that were prepared but not released.

Auditor's Recommendation:

MERA should not advance grant funds and should only make payments in accordance with the grant agreement.

Management's Corrective Action Plan:

As evidenced from the prior year audit, the amount advanced had significantly decreased. Currently, no advance payments are being made, which will ensure the finding will not be repeated.

Marketing Education Retail Alliance, Inc.
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2017

Part I - Summary of Audit Results

2016-001: Material Noncompliance with Grant Agreement

Condition:

Cost reports submitted to LED for reimbursement included expenses that had not been paid.

Auditor's Recommendation:

MERA should only submit cost reports for reimbursement that include expenses for which payment has been made.

Status:

This finding repeats in current year as 2017-002.

2016-002: Improper Related Party Transactions

Condition:

MERA advanced a related party money throughout the year, resulting in a related party receivable of \$123,778 and a payable of \$123,757 at June 30, 2016.

Auditor's Recommendation:

MERA should not advance grant funds and should only make payments in accordance with the grant agreement.

Status:

This finding repeats in current year as 2017-003.

Part II - Management Letter

A management letter was not issued for the year ended June 30, 2016.

Marketing Education Retail Alliance, Inc.
Agreed-Upon Procedures Report
June 30, 2017



**Independent Accountant's Report
on Applying Agreed-upon Procedures**

To the Board of Directors of Marketing Education Retail Alliance, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Marketing Education Retail Alliance, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those control and compliance 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 as follows:

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

Management provided the requested information to us. We found that the entity's written policies and procedures on budgeting address each of the financial/business functions listed above.

- 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 does not have any written policies and procedures on purchasing.

- c) **Disbursements**, including processing, reviewing, and approving

Management provided the requested information to us. We found that the entity's written policies and procedures on disbursements address each of the financial/business functions listed above.

- d) **Receipts**, including receiving, recording, and preparing deposits

Management provided the requested information to us. We found that the entity's written policies and procedures on receipts address each of the financial/business functions listed above with the exception of preparing deposits.

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

The entity has no payroll or personnel and, therefore, no written policies and procedures on payroll and personnel.

- 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

Management provided the requested information to us. We found that the entity's written policies and procedures on contracting do not address (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, or (4) approval process.

- 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 entity has no active cards and, therefore, no written policies and procedures on cards.

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

Management provided the requested information to us. We found that the entity's written policies and procedures on travel and expense reimbursements address each of the financial/business functions listed above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, 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.

Management provided the requested information to us. We found that the Board of Directors met in accordance with its planned schedule of meetings.

- 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 entity'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 period reflect that the board is monitoring the plan.

We found that the minutes referenced monthly budget-to-actual comparisons. The budget-to-actual comparisons did not indicate that management was deficit spending during the fiscal period.

- 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.

We found that the minutes included non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

Management provided the requested information to us.

4. Using the listing provided by management, select a minimum of five of the entity's bank accounts or one-third of the bank accounts on a three year rotating basis if more than 15 accounts. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;

We found that bank reconciliations for all months in the fiscal period have been prepared.

- 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

We found that no bank reconciliation for any month in the fiscal period included evidence that a member of management or a board member with no involvement in the transactions associated with the bank account had reviewed the bank reconciliations.

- 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.

We found one check listed as outstanding for more than six months. After further review, determined this check was never issued and therefore, found no documentation reflecting management had researched the reconciling item.

Collections

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

Management provided the requested information to us.

6. Using the listing provided by management, select a minimum of five of the entity's cash collection locations or one-third of the collection locations on a three year rotating basis if more than 15 locations. 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.

The entity does not have any existing written documentation to reflect that individuals responsible for collecting cash are (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account, and (3) not required to share the same cash register or drawer with another employee.

- 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.

Management does not have any existing written documentation of a formal process to reconcile cash collections to the general ledger by a person who is not responsible for cash collections.

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

We found that deposits were made within one day of collection.

- 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.

We found that daily cash collections are completely supported by documentation.

- 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.

Management does not have any existing written documentation of a process specifically defined to determine completeness of all collections.

Disbursements – General (excluding card purchases or payments)

- 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.

Management provided the requested information to us.

- 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 entity 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:

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

We found that the entity does not use 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. Of 25 disbursements tested, 16 disbursements were grant payments with approved contracts. The remaining 9 disbursements were supported by invoices that lacked evidence of approval.

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.

We found no documentation indicating 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.

We found no documentation indicating the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording 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 entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We found that the supply of unused checks is maintained in a locked location. We also found that access is restricted to those persons that do not have signatory authority.

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.

Management asserted that no signature stamp or signature machine is used; therefore, this procedure was not performed.

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.
Management asserted that the entity does not have any active credit cards, bank debit cards, fuel cards, or P-cards.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, 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.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Management asserted that the entity does not have credit cards, bank debit cards, fuel cards, or P-cards; therefore, this procedure was not performed.

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)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - 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.
 - 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.

Management asserted that the entity does not have credit cards, bank debit cards, fuel cards, or P-cards; therefore, this procedure was not performed.

Travel Reimbursement

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.

Management provided the requested information to us.

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.

Management provided the requested information to us. We found that the entity's authorized rates for travel reimbursement did not exceed mileage rates established by the U.S. General Services Administration.

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 entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We found that each expense was reimbursed in accordance with written policy.

- 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.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We found no exceptions as a result of the procedures.

- 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.

We found no exceptions as a result of the procedures.

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

We found no evidence that each expense and related documentation was reviewed and approved, 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.

Management provided the requested information to us.

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.

We found that the service arrangements and related payments tested were supported by a formal/written contract.

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

We found that none of the service arrangements tested were subject to the Louisiana Public Bid Law or Procurement Code. We found that the entity did not solicit quotes for any of the service arrangements tested.

- 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.

We found no amendments to the contracts tested.

- 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.

We found that the invoice and related payment complied with the terms and conditions of the contract for the service arrangements tested.

- 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. Lawrason Act or Home Rule Charter).

We found that board approval was not required for any of the service arrangements tested.

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:
- 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.
 - 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.

Management asserted that the entity does not have any employees; therefore, these procedures were not performed.

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

Management asserted that the entity does not have any employees; therefore, these procedures were not performed.

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.

Management asserted that the entity does not have any employees; therefore, these procedures were not performed.

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.

Management asserted that the entity does not have any employees; therefore, these procedures were not performed.

Other

26. 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.

Management asserted that the entity is not aware of any misappropriations of public funds or assets.

27. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.I. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We found that the referenced notice was posted on the entity's premises. The entity does not have a website.

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

We neither observed nor identified 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 control and compliance 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 control and compliance 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.


January 18, 2018