FINANCIAL STATEMENTS

CARING TO LOVE MINISTRIES, INC.

For the Year ended
June 30, 2019

Michael R. Choate & Company
Certified Public Accountants

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Financial Report

CARING TO LOVE MINISTRIES, INC.
Baton Rouge, Louisiana

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Caring to Love Ministries, Inc.
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Caring to Love Ministries, Inc. (a nonprofit organization) (the "Organization"), which comprise the Statement of Financial Position as of June 30, 2019, 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 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 representation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of The United States. Those standards require that we plan an 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 upon the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair representation 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 Organization'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial states referred to above present fairly, in all material respects the financial position of the Organization as of June 30, 2019, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Department of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. In addition, Louisiana Revised Statute 24:513(A)(3), as amended, requires the Council to present a supplemental schedule of Compensation, Benefits and Other Payments Made to the Council's Executive Director for the fiscal year. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare 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 26, 2019, on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 the Organization's internal control over financial reporting and compliance.

Michael R Choate

December 26, 2019

Michael R. Choate & Company, CPAs

CARING TO LOVE MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2019

ASSETS

Currrent Assets	
Cash and cash equivalents	$ 390,910
Grants receivable	193,738
Prepaid expenses	24,933
Total Current Assets	609,581
Property and Equipment, net	378,362
Total Assets	$ 987,943

LIABILITES AND NET ASSETS

Current Liabilities	
Bank line of credit	$ 162,000
Due from Hope Group	25,000
Accounts payable	128,130
Payroll liabilities	17,641
Total Current Liabilities	332,771
Net Assets	
Unrestricted, without donor restrictions	655,172
Total Net Assets	655,172
Total Liabilities and Net Assets	$ 987,943

See accompanying notes to financial statements.

CARING TO LOVE MINISTRIES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Unrestricted Revenues and Support:		
Grant income - Life Choice	$	847,698
Grant income - FEMA		107,021
Grant income - Other		5,550
Contributions		171,144
Special events		184,287
Other revenue		8,925
Total Unrestricted Revenues and Support		1,324,625
Expenses:		
Program services		1,040,886
Supporting services		323,698
Total Expenses		1,364,584
Decrease in Net Assets		(39,959)
Net assets at beginning of year		695,131
Net assets at end of year	$	655,172

See accompanying notes to financial statements.

CARING TO LOVE MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services		Supporting Services		
	Life Choice	Other	Management and General	Fundraising	Total Expenses
Salaries	$ 133,723	146,866	10,204	-	$ 290,793
Payroll Taxes	6,099	11,970	50	-	18,119
Total Salaries and Payroll Taxes	139,822	158,836	10,254	-	308,912
Program Services	297,950	23,378	-	-	321,328
FEMA expenses		2,076	75,200	-	77,276
Contract Labor	36,425	49,029	15,175	4,643	105,272
Executive Director / President	-	-	76,677	-	76,677
Special Events	-	-	800	77,954	78,754
Benevolence	-	459	-	-	459
Travel	2,000	3,389	6,278	-	11,667
Employee benefits	4,888	14,876	818	-	20,582
Computer expense	17,254	26,761	(23)	-	43,992
Maintenance and repairs	-	6,249	1,149	-	7,398
Meals	-	4,553	-	253	4,806
Insurance	-	17,832	2,675	-	20,507
Advertising/media	42,399	4,068	-	-	46,467
Telephone	-	15,327	22	-	15,349
Accounting	30,400	-	-	-	30,400
Audit	9,000	-	10,287	-	19,287
Interest	-	395	-	-	395
Legal/Professional	-	6,115	7,774	-	13,889
Occupancy	-	3,575	3,711	-	7,286
Miscellaneous	-	932	2,864	21	3,817
Printing	20,212	24,044	73	-	44,329
Postage	-	3,543	274	-	3,817
Bank charges	-	-	7,358	-	7,358
Supplies	-	13,613	175	563	14,351
Licenses and fees	-	2,056	814	-	2,870
Repairs	-	876	-	-	876
Rent	11,600	21,600	-	-	33,200
Auto	-	4,211	-	-	4,211
Donations	-	130	3,900	-	4,030
Total Other Expenses Before Depreciation	472,128	249,087	216,001	83,434	1,020,650
Depreciation	-	21,013	10,507	3,502	35,022
Total Other Expenses	-	21,013	10,507	3,502	35,022
Total Expenses	$ 611,950	$ 428,936	$ 236,762	$ 86,936	$ 1,364,584
Percentage of Total Expenses	45%	31%	17%	6%	100%

See accompanying notes to financial statements.

CARING TO LOVE MINISTRIES, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(39,959)
Depreciation expense		35,022
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Decrease (Increase) in operating assets:		
Grants receivable		(40,671)
Prepaid expenses		(8,539)
(Decrease) Increase in operating liabilities:		
Accounts payable		61,493
Accrued expenses and other		3,324
NET CASH PROVIDED BY OPERATING ACTIVITIES		10,670
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of fixed assets		(123,098)
NET CASH USED BY INVESTING ACTIVITIES		(123,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from related party		25,000
Bank loan proceeds		112,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		137,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		24,572
CASH AND CASH EQUIVALENTS, beginning of year		366,338
CASH AND CASH EQUIVALENTS, end of year	$	390,910

See accompanying notes to financial statements.

CARING TO LOVE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Caring to Love Ministries, Inc. (a nonprofit organization) (the "Organization") was established in 1983 and is a 501(c)(3) non-profit, non-discriminatory organization with a voluntary Board of Directors. The Organization originated to assist and educate teens in various life-changing issues. This assistance is practical in nature – adult women helping teenage women to extend a loving hand to teens, offering them real hope out of unplanned pregnancy, chemical dependency and poverty.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the reporting requirements of the Not-For-Profit Entities Topic of FASB, ASC , which establishes external financial reporting for not-for profit organizations that include basic financial statement classifications of resources into two separate classes of net assets, as follow:

- Without donor restrictions – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

- With donor Restrictions – Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled and removed by the actions of the Organization pursuant to such situations.
  Net assets whose use by the Organization is limited by donor-imposed stipulation that neither expire with the passage of time nor can be fulfilled and removed by the actions of the Organization.

The classification of net assets into two separate groupings described above is based on criteria established by the Financial Accounting Standards Board, which are not necessarily consistent with regulations of the Internal Revenue Service concerning restrictions on donations.

Donated Services

No amounts have been reflected in the financial statements for donated services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignment.

Contributions

In accordance with the *Accounting for Contributions Received and Contributions Made* Topic of FASB ASC (FASB ASC 958), contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence or nature of any donor restrictions. If donor restrictions are met in the same accounting period then assets are listed as unrestricted.

Other Revenue

The Organization receives other revenue from miscellaneous events and presentations that are held periodically. There are no restrictions on this income and is disclosed as other revenue under unrestricted revenue in the financial statements.

Functional Allocation of Expense

The costs of providing the Organization's programs and services have been summarized on a functional basis in the Statement of Functional Expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific functions but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 (FIN48), *Accounting for the Uncertainty in Income Taxes*, which clarifies the accounting for income taxes recognized in the financial statements in accordance with Statements of Financial Accounting Standard ("SFAS 109"), Accounting for Income Taxes (FASB Accounting Standards Codification (ASC 740, Income Taxes). FIN 48 provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

The Organization's Form 990, *Return of Organization Exempt from Income* Tax, for the years ending 2016-2018 are subject to examination by the IRS, generally for 3 years after they were filed.

Public Support and Revenue

The Organization receives its support primarily from the State Department of Social Services.

Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances are provided for promises to give estimated to be uncollectible. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States.

Promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable promises to give which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If the expenses related to temporarily restricted revenues occur in the same year the revenues are received, these revenues are recorded as unrestricted.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

The purchase of property and equipment is recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $1,000. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Property and equipment are depreciated using the straight-line method over their estimated useful lives of 5 to 30 years.

Generally, when items of property are retired or disposed of, the cost and relate accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Statement of Activities. Expenditures for repairs and maintenance are charged to expense.

Advertising

Advertising costs are expensed as incurred.

Estimates

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

NOTE 2 - GRANTS RECEIVABLE

Grant receivable of $193,738 at June 30, 2019 is comprised of grants receivable from the State of Louisiana.

NOTE 3 – PROPERTY AND EQUIPMENT

The costs and related accumulated depreciation of property and equipment consisted of the following at June 30, 2019

Vehicle	$ 31,940
Buildings and improvements	462,490
Equipment	106,109
Furniture and fixtures	12.965
Total property and equipment	613,504
Less accumulated depreciation	(235,142)
Property and equipment, net	$378,362

Depreciation expense was $35,022 for the year ended June 30, 2019.

NOTE 4 – LEASE COMMITMENT

On March 16, 1992, the Organization entered into a ninety-nine (99) year land lease with a nonprofit organization. A Board member of the Organization is an authorized agent for the leasing nonprofit organization. The rent to be paid by the Organization is $1,200 per year.

During the year June 30, 2018, the Organization signed a two year lease for additional office space in Gonzales, La. for $1,000 per month. The lease expires October 15, 2019. The Organization also leased space in Lake Charles La for the six months of March –August 2019 for $1,400 per month and in Shreveport, La for $1,200 on a month to month basis beginning March 1, 2019. Rent expense was $33,600 for the year ended June 30, 2019.

The future minimum lease payments are as follows:

2020	36,800
2021	1,200
2022	1,200
2023	1,200
Thereafter	83,000
Total	$ 123,400

NOTE 5 – CONCENTRATION OF GRANT INCOME

The Organization receives a majority of its revenue from funds provided through various federal, state, and private grants. During the year ending June 30, 2019, approximately 64% of revenues were from the Department of Social Services, Department of Children and Family Services, TANF grant. The grant amounts are appropriated each year by the federal and state governments.

If budget cuts or program changes are made at the federal or state level, the amount of grant income the Organization receives could be reduced significantly and have an adverse impact on its operations. The current TANF Grant expired on June 30, 2019. An extension was approved thru December 31, 2019. Management has reapplied for a new grant and continues operating at its current level. As of the audit date, the major grant had not been renewed for another year and will terminate on December 31, 2019.

The Organization has cash reserves, receivables and bank lines of credit available within one year of the balance sheet date to meet cash needs and pay general expenses.

NOTE 6 - CONTINGENCIES

The Organization receives a significant portion of its revenue from government grants and contracts, all of which are subject to audit by the government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from any such audit.

NOTE 7 - RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage of, and destruction of assets; errors and omissions, and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 8 – BOARD OF DIRECTORS

The Board of Directors serves and directs the Organization on a voluntary basis. The Board does not receive compensation.

NOTE 9 – NOTE PAYABLE

The Organization has a line of credit with a local bank. The maximum loan amount is $175,000 with interest due monthly at Wall Street Journal prime + 2%. Secured by equipment.
The balance at June 30, 2019 was $162,000.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Organization has the following transactions with related organizations and related persons receiving funding for services rendered during the year ended June 30, 2019:

Hope Group, Inc. (a nonprofit organization)	$ 12,000

The Organization also receives below market rent on its building (see Note 4).
The Hope Group, Inc also loaned the Organization $25,000 which was outstanding at June 30, 2019.

During the year ended June 30, 2019, the Organization paid a related party $75,000 for document recovery services related to the flood of 2016. See Note 11.

NOTE 11 – EXTRAORDINARY ITEM – GREAT LOUISIANA FLOOD OF 2016

On August 12, 2016, the Organization was devastated by the Great Louisiana Flood of 2016. Contributions and FEMA grants for flood relief netted a gain of $195,275 for the year ended June 30, 2018.
For the year June 30, 2019, FEMA grants for flood related recovery totaled $103,892. These funds were used for building renovations $70,473 and document recovery expenses of $75,000.

NOTE 12 – SUBSEQUENT EVENTS
The Organization has evaluated subsequent events through December 26, 2019, which is the date the financial statements were available to be released. No additional disclosures necessary.

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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,
Caring to Love Ministries, 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 the governmental activities, each major fund, and the aggregate remaining fund information of Caring to Love Ministries, Inc., Baton Rouge Louisiana, (the Organization) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purposes 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Baton Rouge, Louisiana,
December 10, 2018

Michael R Choate

Michael R. Choate & Company, CPAs

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Caring to Love Ministries, Inc.
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Caring to Love Ministries, Inc.'s (a nonprofit organization) (the "organization") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirement of laws, regulations, contracts, and grants to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Michael R Choate

December 26, 2019

Michael R. Choate & Company, CPAs

CARING TO LOVE MINISTRIES, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Federal Expenditures
U.S. Department of Health and Human Services Passed-Through State Department of Social Services			
Temporary Assistance for Needy Families (TANF)	93.558*	635086	$847,698
TOTAL U.S DEPARTMENT IOF HEALTH AND HUMAN SERVICES			847,698
U.S. Department of Homeland Security Passed-Through the State Department of Federal Emergency Management Agency			
Emergency Food and Shelter Program	97.024	361400-009	3,129
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			3,129
TOTAL EXPENDITURES OF FEDERAL AWARDS			$850,827

*Identified as a major program.

See accompanying Note to the Schedule of Expenditures of Federal Awards.

CARING TO LOVE MINISTRIES, INC.
NOTE TO THE SCHEDULE OF EXENDITURES OF
FEDERAL AWARDS
For Year Ended June 30, 2019

NOTE A – BASIS OF ACCOUNTING

The accompanying Schedule of Federal Awards included the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

Schedule of Compensation, Benefits and Other Payments to the Council's Executive Director

Caring to Love Ministries, Inc
Baton Rouge, Louisiana
For the year ended June 30, 2019

Executive Director's (Agency Head) Name: Dorothy Wallis

Purpose	Amount
Salary	$ 54,000
Benefits-insurance (health and life)	
Benefits-retirement	
Benefits-Other (describe)	
Benefits-Other (describe)	
Benefits-Other (describe)	
Car allowance	7,337
Vehicle provided by government (enter amount reported on W-2)	
Per diem	
Reimbursements	
Travel	
Registration fees	
Conference travel	
Housing	76,677
Unvouchered expenses (example: travel advances, etc.)	
Special meals	
Other - Petty Cash Reimbursements	

CARING TO LOVE MINISTRIES, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

A. SUMMARY OF THE AUDITOR'S RESULTS

- The Auditor's report expresses an unqualified opinion of the financial statements of Caring to Love Ministries, Inc. (a nonprofit organization) (the "Organization").

- No instances of noncompliance material to the financial statements of the Organization were disclosed and identified during the audit.

- No instances of significant deficiency in internal control over financial reporting were reported in the *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.

- No instances of noncompliance material to the financial statements of the Organization are reported in the *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.

- The Independent Auditor's Report on Compliance for Each *Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133* expressed an unqualified opinion on all major federal programs.

- The auditor's report on compliance for the major federal programs award programs for the Organization expresses an unqualified opinion on all major federal programs.

- There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

- No management letter was issued for the year ended June 30, 2019.

- The program tested as a major program for the year June 30, 2019 was:

  Department of Health and Human Services –
  Temporary Assistance for Needy Families (CFDA#93.558)

- The threshold for distinguishing between Type A and Type B programs was $750,000.

- The Organization was determined to be a high-risk auditee.

CARING TO LOVE MINISTRIES, INC
SUMMARY SCFHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2018

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Not applicable.

SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

Not applicable.

SECTION III – MANAGEMENT LETTER

Not applicable.

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Caring to Love Ministries, Inc.
Baton Rouge, Louisiana, USA

To the Board of Directors of Caring to Love Ministries, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Caring to Love Ministries, Inc. 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 fiscal period July 1, 2018 through June 30, 2019. 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 as follows:

Procedures:

1. Determine if the following accounting **policies are in writing** and address the issues described in the attached Appendix.

Budgeting	Payroll/ Personnel	Ethics
Purchasing	Contracting (vendors)	Debt service
Disbursements	Credit cards	Disaster recovery
Receipts	Travel and expense reimbursements	

2. Test compliance with the above accounting policies using the procedures described in the twelve AUP categories in the attached Appendix.

Findings:

1. **Written policies exist for all the AUP categories except:**
   Ethics policy needs to be amended to include: "actions to be taken if an ethics violation takes place; system to monitor possible ethics violations and; requirement that all employees annually attest through signature that they have read the Entity's ethics policy.

   Management response: Ethics policy will be amended.

2. Testing of all other AUP categories:

   Board or Finance committee – N/A no findings prior year;
   Bank reconciliations –N/A no findings prior year;
   Collections – N/A no findings prior year;
   Non payroll disbursements –N/A no findings prior year;
   Credit cards – N/A no findings prior year;
   Travel expenditures –N/A no findings prior year;
   Contracts (vendors) – N/A no findings prior year;
   Payroll – N/A no findings prior year;

   Ethics – finding - no documentation that employees had attested thru signature that they had read the Organization's ethics policy.

   Management response: Signature verification will be obtained to document that employees have read Ethics policy.

   Debt service –N/A no findings prior year;
   Other – N/A no findings prior year.

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.

Michael R Choate

December 26, 2019

Michael R Choate & Company CPAs

APPENDIX

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures
Year 3 – Fiscal Years Ending 6/30/2019 through 5/31/2020

Instructions

Introduction and General Comments

The Louisiana Legislative Auditor (LLA) has prescribed statewide agreed-upon procedures (AUPs) below, which are intended to represent a minimum level of additional work to be performed at those local entities (local governments and quasi-public organizations, including nonprofits) that meet the legal requirement to have an audit under the Audit Law (i.e., public funds totaling $500,000 or more in revenues and other sources). **This Year 3 update to the AUPs will be effective for those entities that have fiscal years ending June 30, 2019 through May 31, 2020. Any entity with a fiscal year ending prior to June 30, 2019, has the option of using these updated procedures rather than the Year 2 procedures.**

What's New? For Year 3, the LLA has added Disaster Recover/Business Continuity to the Written Policies and Procedures category. We have also incorporated recent FAQs into the Instructions and footnotes for clarity.

The AUPs are not intended to address all areas of risk within an entity. Instead, they are designed to address those areas that have resulted in the most frequent incidents of fraud, waste, or abuse of public funds. For Year 3, the LLA has incorporated relevant Frequently Asked Questions and made changes to testing methodologies based on feedback from practitioners. The LLA has also modified procedures and criteria for clarity and efficiency.

The AUPs are to be performed under the AICPA attest standards (Statements on Standards for Attestation Engagements) and *Government Auditing Standards*, and the AUP report must be attached with the audit report that is submitted to the Legislative Auditor's office (i.e. one Adobe pdf file submitted to the LLA rather than two). The AUPs are required to be performed by the same firm that performs the annual audit; accordingly, a separate "engagement approval form" for the statewide AUP engagement is not required. The LLA is considered to be a specified party to the AUP engagements and accepts the sufficiency of AUP procedures by our acceptance of the standard (audit) engagement approval forms.

All exceptions are to be included in the AUP report with management's responses/corrective actions. To avoid potential conflicts with the attest standards, we recommend that management prepare a single overall response to the AUP report. If management chooses not to respond to the AUP exceptions at all, the practitioner must include a statement that "management declined to respond to the exceptions or provide a plan of corrective action." If no exceptions are noted when performing a procedure, "no exceptions were found as a result of this procedure" is an acceptable result in the AUP report.

Please note that the results of the AUPs do not change the practitioner's separate responsibility to report significant deficiencies, material weaknesses, material noncompliance, etc., as part of the regular audit engagement. However, the practitioner should not include the AUP exceptions or internal auditor's exceptions (or a reference to the exceptions) in the audit report's schedule of findings, unless an AUP or internal audit exception rises to the level of a significant deficiency or material weakness and is included as a finding for purposes of the audit. Similarly, AUP exceptions should not be copied and pasted as findings in the LLA report submission portal unless they are addressed as findings in the audit report.

Under the attest standards, practitioners are also allowed to report "knowledge of matters outside agreed-upon procedures" within the AUP report if they discover a control deficiency or noncompliance that does not meet the definition of an exception under the AUPs. While the reporting of these matters with the AUP report is at the practitioner's discretion, the practitioner still has an obligation to consider the associated risk/noncompliance as part of his or her audit.

If the practitioner has gained "knowledge of matters outside agreed-upon procedures" related to fraud, theft, or the pledge/loan/donation of public funds (LA Const. Art. 7, Section 14[1]), and the practitioner does not include these matters in either the AUP report or in the audit report, the practitioner **MUST** contact the LLA to discuss before submitting the reports.

Applicability of AUPs

Those local entities that do not meet the legal requirement to have an audit under the Audit Law (i.e., public funds totaling less than $500,000 in revenues and other sources) are exempt from performing these AUPs. If an entity elects to have an audit but is not required to have an audit under the Audit Law, the entity would be exempt from performing these AUPs.

For purposes of the Audit Law, public funds are generally defined as follows:

- For governmental entities, including non-profits created by a governmental entity to perform the same activities as the governmental entity, **all** revenues and other sources are considered to be public funds.
- For non-profit entities, any funds received from state or local governments, including grants, loans, transfers of property, awards, direct appropriations, and pass-through

[1] Article 7, Section 14 of the Louisiana Constitution prohibits the loan, pledge, or donation of funds, credit, property, or things of value (e.g. cash advances or non-business purchases, regardless of whether they were reimbursed)

federal funds are considered to be public funds. Public funds also include direct federal funds unless the non-profit receives **only** federal direct funds (i.e. even $1 of other public funds requires the non-profit to treat federal direct funds as public funds for purposes of the Audit Law). Please note that Medicare and Medicaid funds are considered to be contract/vendor payments and are not considered public funds for non-profits.

If either a governmental or non-profit entity has met the Audit Law threshold, and all or part of the entity's public funds are federal major program funds (either direct or pass-through) tested under the entity's Single Audit during the fiscal period, the entity may exclude those AUP categories that are covered under federal program testing, regardless of whether the federal program testing includes the same procedures or sample sizes. For example, a non-profit entity that has one federal program subject to Single Audit testing may exclude credit cards, travel expenditures, non-payroll disbursements, contracts, and payroll and personnel if these areas are subject to testing under Allowable Costs and Procurement in the OMB Compliance Supplement; however, the entity would still be subject to other AUP areas that are not addressed in the OMB Compliance Supplement (e.g. board or finance committee, bank reconciliations). However, an entity that has other public funds not subject to testing under the Single Audit must still test those funds under the statewide AUPs. In that situation, we recommend selecting sample sizes for the applicable AUP categories from the overall population of transactions and then removing those sample items that fall within Single Audit testing. Alternatively, the practitioner could apply a pro-rata ratio to the statewide AUP sample sizes to accomplish the same goal.

State entities whose financial information is included in the Comprehensive Annual Financial Report of the State of Louisiana, or local entities subject to Act 774 of 2014 (i.e., St. Tammany Parish), are exempt from the AUPs below. Private and parochial schools, as well university foundations, facility corporations, and booster associations, are specifically excluded by law from having to provide audit reports to the LLA and are exempt from the AUPs. Real estate for-profit limited partnership entities have been exempted from the AUPs based on the nature of their operations.

The scope of the AUPs applies to the primary reporting entity and is not required to be extended to discretely presented component units of the entity; however, entities that are discrete component units of a larger government, <u>and</u> separately report to the LLA, are individually subject to the AUPs. Discrete component units that separately report to the LLA but have portions of their operations performed by the primary government (e.g. payroll processing) are exempt from those portions of the AUPs relating to the operations performed by the primary government; instead, AUPs performed at the primary government should address those areas (e.g. payroll processing) because the controls exist at the primary government.

Fiduciary funds should be included within the scope of the AUPs, including agency funds administered by sheriffs or other tax collectors.

For quasi-public organizations, including non-profits, only those AUP areas applicable to public funds administered by the quasi-public organization are required to be included within the scope of the AUP engagement.

School student activity fund accounts may be excluded from testing under the AUPs if they are otherwise addressed in a separately contracted audit or agreed-upon procedures engagement (does not have to include the same procedures as in the statewide agreed-upon procedures). In this situation, the audit or agreed-upon procedures report is already required to be submitted to the LLA as separate engagement and does not need to be attached in the pdf file with the practitioner's audit/AUP report.

Please note that the statewide AUPs included in this document only apply to local governments and quasi-public entities that meet the requirement to have an audit under the Audit Law. The LLA also has 4 other types of agreed-upon procedures engagements that should not be confused with the statewide AUPs, as follows:

- State entity (not "statewide") agreed-upon procedures are required for certain engagements for entities that are included in the state's CAFR. These engagements are contracted directly by the LLA's Financial Audit Services group and do not apply to local governments or quasi-public entities.
- Review/Attest engagements include agreed-upon procedures for local governments and quasi-public entities that differ from the statewide AUPs and only apply to those entities that receive public funds between $200,000 and $500,000.
- Act 774 AUPs only apply to local governments and quasi-public entities in St. Tammany Parish that receive public funds of $75,000 or greater. These agreed-upon procedures are customized by the LLA for each engagement.
- Department of Education Performance Measures AUPs are required for school boards and charter schools.

More than one set of agreed-upon procedures may be required, depending on whether each criteria above has been met. For example, an entity in St. Tammany Parish, with public funds between $200,000 and $500,000 would be subject to both the Review/Attest AUPs, as well as the Act 774 AUPs. Similarly, a parish school board with public funds of $500,000 or greater would be subject to both the statewide AUPs and the Department of Education Performance Measures AUPs.

Rotation of Procedures

Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3. For example, an entity that had exceptions in 6 categories in Year 1 was required to test those 6 categories again in Year 2. If that same entity still had exceptions in 4 categories tested in Year 2, then the entity would be required to test those 4 categories in Year 3.

This exclusion only applies at the AUP category-level, so if even a single exception to a procedure within a category was noted during the prior year testing, all procedures within the category must be performed again for Year 3. Also, if the entity changed auditors between years, the new practitioner is not required to test those categories that were identified by the prior practitioner as having no exceptions.

If a category was not applicable in Year 1 or Year 2, but is applicable in Year 3 (e.g., entity did not have debt in Year 1 or Year 2 but issued debt in Year 3), then the practitioner must test the category in Year 3.

Please note that the LLA has added a new "disaster recovery/business continuity" procedure under the Written Policies and Procedures category. At a minimum, all practitioners that perform AUPs at an entity for Year 3 must include a Written Policies and Procedures category with the disaster recovery/business continuity procedure, even if the category would have otherwise been rotated off in Year 3. This new requirement only applies to those entities that are subject to AUP testing in Year 3 (i.e., if the entity does not have an AUP reporting requirement to the LLA for Year 3, it is not subject to the disaster recovery/business procedure for Year 3).

The attestation standards for agreed-upon procedures engagements require that the practitioner report exceptions to procedures even when there are compensating controls; however, the LLA does not want to penalize entities for exceptions that do not directly correspond to control risks. Accordingly, if the entity had exceptions within an AUP category in Year 1 or Year 2, based strictly on the wording of the procedure, but the practitioner believes that compensating controls **fully** mitigated the underlying control risk, the entity may exclude that AUP category from testing in Year 3 (the practitioner should maintain documentation of compensating controls in the engagement workpapers).

If the practitioner's removal of an AUP category impacts another AUP category that is linked to it, the practitioner may modify the procedure(s)/scope to address the discrepancy. For example, if a payroll sample is used for ethics testing and payroll has been rotated off in Year 3, the payroll sample selection procedure must be included under the ethics category.

For those categories that are not applicable or that are rotated off in Year 3, the practitioner may either (1) exclude the AUP categories from the AUP report, or (2) include the categories and procedures in the AUP report and label the results as "not applicable." Under either option, the practitioner may need to update the AUP engagement agreement to ensure that the original procedures "agreed-upon" with the client match the final procedures performed and reported upon (i.e., ensuring compliance with AT standards).

If no exceptions were noted in any categories tested during Year 1 or Year 2 (or the entity had compensating controls that fully mitigated the underlying control risks), the statewide AUPs are not required for Year 3. For example, an entity that had exceptions in 6 categories in Year 1 was required to test those 6 categories again in Year 2. If that same entity had no exceptions in the 6 categories tested in Year 2, then the statewide AUPs would not be required for Year 3. If the statewide AUPs are not required for Year 3, the practitioner is not required to test the new Disaster Recovery/Business Continuity procedure under the Written Policies and Procedures category in Year 3. When submitting the audit report packet to the LLA, the practitioner should check the button in the LLA report portal indicating that statewide AUPs were not required.

Options and Alternatives

The practitioner may avoid duplication of existing audit procedures by using the same transactions for both audit and AUP purposes. For example, if the AUPs indicate that 10 random transactions should be selected and the practitioner would otherwise plan to test 25 random transactions as part of the entity's audit, the practitioner may use the same 10 transactions for both the audit and the AUP engagement.

If the entity employs one or more internal auditors; the practitioner documents reliance upon the internal audit function as part of the entity's audit; and the internal auditor performs one or more of the specific procedures identified for the same fiscal period (internal auditor is not required to perform procedures under the attest standards); the practitioner does not have to include those specific procedures as part of the scope of the AUP engagement or include in the AUP report. In that situation, the practitioner should perform the remaining AUPs under the attest standards and document in the AUP report, but should not include or reference the internal auditor's report(s) in the practitioner's AUP report. The practitioner must include a copy (or copies if the internal auditor has multiple reports that address AUP procedures) of the internal auditor's procedures performed and exceptions noted when submitting the audit report and AUP report to the LLA. In this situation, all three reports should be submitted to the LLA as one Adobe pdf file, and all three reports will be issued by the LLA as public documents.

To avoid creating an undue burden on practitioners, the AUPs may be performed for a 12-month "fiscal period" that does not coincide with the entity's "fiscal year", as long as the 12-month fiscal period is no more than 3 months prior to the end of the entity's fiscal year. For example, the practitioner may perform AUPs for the fiscal period April 1, 2018 through March 31, 2019 for an entity with a fiscal year ending June 30, 2019. All AUPs will reference "fiscal period" to mean the 12-months covered by the AUPs. If the entity elects to change its "fiscal period," the subsequent year of AUP testing must not leave a gap between fiscal periods. For example, a change from a March 31 fiscal period end to a June 30 fiscal period end would require a 15-month AUP engagement in the year of change.

For nonprofit entities, only those AUPs relevant to public monies are required to be included in the scope of the AUP engagement. For example, if a nonprofit receives $10 million in non-public funds and also receives $500,000 in public funds, only the $500,000 would be subject to the AUPs if the funds are not otherwise commingled. In this example, if the nonprofit did not use any of the $500,000 in public funds for payroll or travel expenses, the portions of the AUPs relating to these areas are not required to be included in the scope of the AUP engagement or report.

If the practitioner believes that the AUPs collectively can not be performed based on the nature of the entity's operations, please contact the LLA to request an exemption to the AUPs. If a specific procedure can not be performed based on the nature of the entity's operations, an equivalent procedure may be substituted (e.g., alternate sampling population, alternate method of compiling documentation) at the practitioner's discretion. Please note that the substitute procedure would need to be included in the AUP report in place of the original procedure, and this change in procedures may require the practitioner to update his or her client engagement agreement accordingly.

For school boards only, the practitioner should consider the deposit site and collection location to be the same if there is a central person (secretary or bookkeeper) through which collections are deposited. The practitioner is only required to test documentation at the secretary/bookkeeper level and is not required to test for completeness of revenues relative to classroom collections by teachers.[2]

[2] This exclusion would also apply to procedure #7a below.

Procedures

Report all exceptions to the following procedures, either after each procedure or after all procedures within each of the twelve AUP categories. "Random" selections may be made using Microsoft Excel's random number generator or an alternate method selected by the practitioner that results in an equivalent sample (e.g., those methods allowed under the AICPA Audit Guide - *Audit Sampling*).

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):[3]

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

   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.

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

   d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

   e) ***Payroll/Personnel***, including (1) payroll processing, and (2) 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

   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,

[3] *For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.*

(4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

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

i) ***Ethics***[4], 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.

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

k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Board or Finance Committee[5]

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

   a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

   b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.[6] *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes*

[4] The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

[5] These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

[6] Major funds are defined under GASB standards. The related procedure addresses major funds as a way to verify that boards are provided with financial information necessary to make informed decisions about significant entity operations, including proprietary operations that are not required to be budgeted under the LGBA.

referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts[7] (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

    a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

    b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

    c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections (excluding EFTs)[8]

4. Obtain a listing of deposit sites[9] for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

5. For each deposit site selected, obtain a listing of collection locations[10] and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies

[7] Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

[8] The Collections category is not required to be tested if the entity has a third party contractor performing all collection functions (i.e., receiving collections, preparing deposits, and making deposits).

[9] A deposit site is a physical location where a deposit is prepared and reconciled.

[10] A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit.

and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

a) Employees that are responsible for cash collections do not share cash drawers/registers.

b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day)[11]. *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

a) Observe that receipts are sequentially pre-numbered.

b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

c) Trace the deposit slip total to the actual deposit per the bank statement.

d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).

e) Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

[11] If "bank reconciliations" have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for bank reconciliations.

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

   b) At least two employees are involved in processing and approving payments to vendors.

   c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

   d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

   [Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.)]

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

    a) Observe that the disbursement matched the related original invoice/billing statement.

    b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards[12]. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or

[12] Including credit cards used by school staff for either school operations or student activity fund operations.

combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), 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) Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing)[13]. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Travel and Travel-Related Expense Reimbursements[14] (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those

[13] For example, if 3 of the 5 cards selected were fuel cards, only 10 transactions would be selected for each of the 2 credit cards. Conceivably, if all 5 cards randomly selected under procedure #12 were fuel cards, Procedure #13 would not be applicable.

[14] Non-travel reimbursements are not required to be tested under this category.

individuals participating) and other documentation required by written policy (procedure #1h).

d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

    a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law[15] (e.g., solicited quotes or bids, advertised), if required by law.

    b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

    c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

    d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    a) Observe that 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.)

[15] If the entity has adopted the state Procurement Code, replace "Louisiana Public Bid Law" with "Louisiana Procurement Code."

b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics[16]

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above[17], obtain ethics documentation from management, and:

    a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

    b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service[18]

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree

[16] The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed.

[17] If "payroll and personnel" have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for payroll and personnel.

[18] This AUP category is generally not applicable to non-profit entities; however, if applicable, the procedures should be performed.

actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

24. Observe that the entity has posted on its premises[19] and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.[20]

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[19] Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

[20] This notice is available for download or print at www.lla.la.gov/hotline.