



LUTHER SPEIGHT & COMPANY, LLC
Certified Public Accountants and Consultants

BROTHERHOOD, INCORPORATED
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2017

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LUTHER SPEIGHT & COMPANY, LLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brotherhood, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Brotherhood, Inc. (the Brotherhood) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinion.

Continued,

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brotherhood, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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.

The schedule of functional expenses on page 6 and the Schedule of Compensation, Benefits, and Other Payments to the Agency Head on page 23 are presented for purposes of additional analysis and are 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 June 29, 2018, on our consideration of the Brotherhood'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.

Continued,

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brotherhood's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Luther Speight & Co". The signature is fluid and cursive, with a large initial "L" and "S".

Luther Speight & Company CPAs
New Orleans, Louisiana
June 29, 2018

Brotherhood, Incorporated
Statement of Financial Position
December 31, 2017

Assets

Current Assets

| | |
|----------------------|---------------|
| Cash | \$ 31,755 |
| Other Current Assets | 8,195 |
| Total Current Assets | <u>39,950</u> |

| | |
|----------------------|----------------|
| Land | 18,000 |
| Capital Assets (Net) | 251,803 |
| Net Fixed Assets | <u>269,803</u> |

| | |
|--------------|--------------------------|
| Total Assets | <u><u>\$ 309,753</u></u> |
|--------------|--------------------------|

Liabilities

Liabilities

| | |
|---------------------------------------|---------------|
| Accounts Payable | \$ 11,866 |
| Payroll & Payroll Related Liabilities | 26,273 |
| Other Current Liabilities | 4,850 |
| Lines of Credit | 39,425 |
| Total Liabilities | <u>82,414</u> |

Net Assets

| | |
|------------------|----------------|
| Unrestricted | <u>227,339</u> |
| Total Net Assets | <u>227,339</u> |

| | |
|----------------------------------|--------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 309,753</u></u> |
|----------------------------------|--------------------------|

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

Brotherhood, Incorporated
Statement of Activities
For the Year Ended December 31, 2017

| Public Support and Revenues | Unrestricted | Temporarily Restricted | Total |
|--|-----------------------|---------------------------|-----------------------|
| Grant Support | \$ - | \$ 1,098,729 | \$ 1,098,729 |
| Program Income | 53,269 | - | 53,269 |
| Other Income | 8,424 | - | 8,424 |
| Releases from Restrictions | 1,098,729 | (1,098,729) | - |
| Total Public Support and Revenues | <u>1,160,422</u> | <u>-</u> | <u>1,160,422</u> |
| Expenses | | | |
| Program Services: | | | |
| A. HIV/AIDS Housing | 354,229 | - | 354,229 |
| B. OPH HIV/AIDS Prevention | 301,558 | - | 301,558 |
| C. CDC HIV/AIDS Prevention | 350,169 | - | 350,169 |
| D. Advocacy Social Justice | 45,062 | - | 45,062 |
| Support Services: | | | |
| Management and General | 91,591 | - | 91,591 |
| Total Expenses | <u>1,142,609</u> | <u>-</u> | <u>1,142,609</u> |
| Change in Net Assets from Operations | 17,813 | - | 17,813 |
| Net Asset Adjustments | (99) | - | (99) |
| Net Assets, Beginning of Period | <u>209,625</u> | <u>-</u> | <u>209,625</u> |
| Net Assets, End of Period | <u>\$ 227,339</u> | <u>\$ -</u> | <u>\$ 227,339</u> |

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

Brotherhood, Incorporated
Statement of Cash Flows
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|----------------------|------------------|
| Change in Net Assets | <u>\$ 17,714</u> |
|----------------------|------------------|

Adjustments to reconcile changes in net assets
to net cash provided in operating activities:

| | |
|---|---------------|
| Depreciation | 31,675 |
| Decrease in Other Current Assets | (4,873) |
| Increase in Accounts Payable | 193 |
| Decrease in Payroll & Payroll Related Liabilities | 815 |
| Net Cash Provided by Operating Activities | <u>45,524</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---------------------------------------|----------------|
| Purchases of Fixed Assets | <u>(3,096)</u> |
| Net Cash Used By Investing Activities | <u>(3,096)</u> |

CASH FLOWS FROM BY FINANCING ACTIVITIES

| | |
|---------------------------------------|-----------------|
| Payments on Lines of Credit (Net) | <u>(27,502)</u> |
| Net Cash Used By Financing Activities | <u>(27,502)</u> |

| | |
|---|--------|
| Net Decrease in Cash and Cash Equivalents | 14,926 |
|---|--------|

| | |
|-------------------------------------|---------------|
| Beginning Cash and Cash Equivalents | <u>16,829</u> |
|-------------------------------------|---------------|

| | |
|----------------------------------|-------------------------|
| Ending Cash and Cash Equivalents | <u><u>\$ 31,755</u></u> |
|----------------------------------|-------------------------|

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

Brotherhood, Incorporated
Statement of Functional Expenses
For the Year Ended December 31, 2017

| | HIV/AIDS Housing | OPH HIV/AIDS Prevention | CDC HIV/AIDS Prevention | Advocacy Social Justice | Total | Management & General | 2017 Total |
|-----------------------------------|-----------------------------|--|--|--|----------------------------|-------------------------------------|----------------------------|
| Salaries & Related Expenses | 295,687 | 208,444 | 195,668 | 30,264 | 730,063 | 101,883 | 831,946 |
| Utilities, Household & Advertisin | 13,800 | 30,620 | 32,160 | 660 | 77,240 | 8,658 | 85,898 |
| Equipment & Property Expenses | 16,976 | 8,271 | 10,778 | 1,185 | 37,210 | 18,442 | 55,652 |
| Travel & Training | 3,277 | 16,113 | 6,638 | 7,158 | 33,186 | 3,300 | 36,486 |
| Program Incentives | - | 385 | 21,721 | 1,175 | 23,281 | 1,254 | 24,535 |
| Program Supplies | 7,584 | 3,921 | 3,430 | - | 14,935 | 5,322 | 20,257 |
| Communications | 6,872 | 4,833 | 6,156 | 606 | 18,467 | - | 18,467 |
| Professional Fees | 8,302 | 2,698 | 2,500 | - | 13,500 | - | 13,500 |
| Office Supplies | 1,418 | 3,864 | 3,436 | 4,014 | 12,732 | - | 12,732 |
| Indirect Costs | - | 21,047 | 67,484 | - | 88,531 | (83,996) | 4,535 |
| Other Expenses | - | 796 | 48 | - | 844 | 2,718 | 3,562 |
| Interest Expense | - | - | - | - | - | 2,260 | 2,260 |
| Fees, Taxes and Assessments | 313 | 566 | 150 | - | 1,029 | 75 | 1,104 |
| Sub-Totals | <u>354,229</u> | <u>301,558</u> | <u>350,169</u> | <u>45,062</u> | <u>1,051,018</u> | <u>59,916</u> | <u>1,110,934</u> |
| Depreciation Expense | - | - | - | - | - | 31,675 | 31,675 |
| Totals | <u><u>\$ 354,229</u></u> | <u><u>\$ 301,558</u></u> | <u><u>\$ 350,169</u></u> | <u><u>\$ 45,062</u></u> | <u><u>\$ 1,051,018</u></u> | <u><u>\$ 91,591</u></u> | <u><u>\$ 1,142,609</u></u> |

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

Brotherhood, Incorporated
Notes to the Financial Statements
December 31, 2017

NOTE 1 - ORGANIZATION

Brotherhood, Inc. is a nonprofit, community-based organization that is dedicated to providing housing and healthcare for individuals suffering from Human Immune/Deficiency Virus (HIV)/Acquired Immune Deficiency Syndrome (AIDS) and to provide support services for their families. Brotherhood, Inc. was incorporated on June 7, 1996 pursuant to the provisions of the Louisiana Nonprofit Law, Louisiana R. S. 12:201 – 12:269 (1950 as amended).

Brotherhood, Inc. offers and provides the following programs and services:

- HIV/AIDS Education and Training;
- Risk Reduction Workshops;
- African American Community Leader Training;
- Community Awareness Sessions and Health Fairs;
- Street and Venue Based Outreach;
- Condom Distribution;
- HIV Counseling and Testing;
- Peer Lead Support Groups;
- Referrals and Other Services
- Support housing for people with special needs; and
- Capacity building assistance to other community based organizations.

Programs and services provided by Brotherhood Inc. are funded primarily by grants from the following agencies:

- U. S. Department of Health and Human Services – Center for Disease Control and Prevention:

HIV Prevention Activities

- Community Based HIV Prevention Projects for African Americans
- HIV Prevention Projects for YMCSM and YTG
- U. S. Department of Housing and Urban Development - passed through the City of New Orleans:
 - Home Investment Partnership Program
 - Housing Opportunities for Persons With AIDS

Brotherhood, Incorporated
Notes to the Financial Statements
December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

Brotherhood, Inc. is a non-profit, community-based organization whose financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Reporting

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958, which established standards for external financial reporting by not-for-profit organizations, the Brotherhood classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted, and permanently restricted net assets according to external (donor) imposed restrictions. A description of these three net asset categories is as follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of Brotherhood, Inc. are included in this category. Brotherhood, Inc. has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of Brotherhood, Inc. and, therefore, Brotherhood, Inc.'s policy is to record those net assets as unrestricted.
- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor-imposed restrictions have not been met.
- Permanently restricted net assets are contributions, which are required by the donor-imposed restriction to be invested in perpetuity and only the income, be made available for program operations in accordance with donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions

At December 31, 2017, Brotherhood, Inc. did not have any temporarily or permanently restricted net assets.

Brotherhood, Incorporated
Notes to the Financial Statements
December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Land, Furniture, Equipment, Building, and Improvements

Land, furniture, equipment, building and improvements of Brotherhood, Inc. are recorded as assets and are stated at historical cost, if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Long-lived assets over \$500 are capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives of assets as follows:

| | |
|---------------------------|---------------|
| Furniture and Equipment | 3-7 Years |
| Building and Improvements | 10-27.5 Years |

Such assets and related accumulated depreciation consists of the following:

| | |
|---------------------------|------------------|
| Land | \$ 18,000 |
| Furniture and Fixtures | 70,429 |
| Building and Improvements | 553,134 |
| Equipment | 186,813 |
| Vehicles | 32,598 |
| Accumulated Depreciation | <u>(591,171)</u> |
| Net Fixed Assets | <u>\$269,803</u> |

Depreciation expense for the year then ended December 31, 2017 was \$31,675.

Brotherhood, Incorporated
Notes to the Financial Statements
December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenues

Revenues received under government grant programs are recognized when earned. For cost-reimbursement grants, the revenue is earned when the related expenditure is incurred. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Functional Allocation of Expenses

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

Cash Equivalents

For purposes of the statement of cash flows, Brotherhood, Inc. considers all cash in demand deposits and investments purchased with a maturity date of three months or less to be cash equivalents.

NOTE 3 – ECONOMIC DEPENDENCY

The primary source of revenue for Brotherhood, Inc. is federal grants provided through various funding agencies. The continued success of Brotherhood, Inc. is dependent upon the renewal of contracts from current funding sources as well as obtaining new funding.

NOTE 4 – UNRESTRICTED CONTRIBUTIONS

Contributions consist of donations made to Brotherhood, Inc. to provide support to the operation of Brotherhood, Inc. as well as to fund specific projects as designated by the donor or the Board of Directors.

NOTE 5 – GOVERNMENT GRANTS

Brotherhood, Inc. is the recipient of several federal awards, as disclosed in the schedule of expenditures of federal awards. Included in grant revenue are funds disbursed from several funding sources to provide funds for the implementation of various community programs as well as to support the operations of Brotherhood, Inc.

Brotherhood, Incorporated
Notes to the Financial Statements
December 31, 2017

NOTE 6 – OPERATING LEASE

Brotherhood, Inc. executes an annual lease agreement for the use of office space in a building located at 2714 Canal Street. Payments for 2017 and the two prior years are as follows:

| <u>December 31,</u> | <u>Amount</u> |
|---------------------|---------------|
| 2015 | \$ 19,114 |
| 2016 | 28,429 |
| 2017 | 31,534 |

NOTE 7 – INCOME TAXES

Brotherhood, Inc. is exempt from federal income taxes through Section 501 (c)(3) of the Internal Revenue Code.

NOTE 8 - CONTINGENCY

Brotherhood, Inc. is a recipient of several grants and awards of federal funds. These grants and awards are governed by various federal guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants and awards is under the control and administration of Brotherhood, Inc., and is subject to audit and /or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

NOTE 9 – LINE OF CREDIT

At December 31, 2017, line of credit consists of the following:

- Advances under a line-of-credit with a variable interest rate with no stated date of maturity payable on demand totaling \$39,425.

NOTE 8 – PENSION PLAN

The Organization has a 403(b) Pension Plan. Employees, who have successfully completed their 90 day probationary period are qualified to join the plan. The organization does not contribute any money to the plan.

Brotherhood, Incorporated
Notes to the Financial Statements
December 31, 2017

NOTE 9 – NET ASSET ADJUSTMENT

The Organization recorded net asset adjustments at December 31, 2017 totaling (\$99). These adjustments were related to prior year audit adjustments that were previously not recorded by management.

NOTE 10 – SUBSEQUENT EVENTS

In preparing these financial statements, the Brotherhood has evaluated events and transactions for potential recognition or disclosure through June 30, 2018, the date the financial statements were available to be issued.

Brotherhood, Incorporated
Schedule of Expenditures of Federal Awards
December 31, 2017

| <u>Federal Grantor/Pass-through Grantor</u> | <u>Federal</u> | <u>Pass</u> | <u>Federal</u> |
|---|----------------|--------------------|---------------------|
| | <u>CFDA</u> | <u>Thru Entity</u> | <u>Identifying</u> |
| | <u>Number</u> | <u>Number</u> | <u>Federal</u> |
| | | | <u>Expenditures</u> |
| U.S. Department of Housing and Urban Development | | | |
| Pass-through programs from: | | | |
| City of New Orleans | | | |
| Housing Opportunities for Persons with AIDS | 14.241 | HOPWA-025B | <u>\$352,582</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>\$352,582</u> |
| U.S. Department of Health and Human Services | | | |
| Direct grant: | | | |
| Comprehensive High Impact HIV Prevention Projects for Community | | | |
| Based Organization | 93.939 | 5NU65PS004804-02 | \$350,121 |
| Pass-through programs from | | | |
| State of Louisiana, Department of Health and Hospitals | | | |
| Pre-Exposure Prophylaxis (PrEP) and Peer Navigational Services | 93.940 | 2000170068 | \$188,169 |
| 4 th Generation Lab Based HIV Testing & Expanded STI Screening | 93.940 | 2000168153 | <u>\$167,475</u> |
| Total U.S. Department of Health and Human Services | | | <u>\$705,765</u> |
| Total expenditures of federal awards | | | <u>\$1,058,347</u> |

See accompanying notes to schedule of expenditures of federal awards.

Brotherhood, Incorporated
Notes to Schedule of Expenditures of Federal Awards
Year ended December 31, 2017

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of Brotherhood, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



LUTHER SPEIGHT & COMPANY, LLC
Certified Public Accountants and Consultants

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 Trustees of
The Brotherhood, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Brotherhood, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control Over Financial Reporting

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

Continued,

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. This finding is listed as 2017-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brotherhood's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Brotherhood's Response to Findings

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

Purpose of this Report

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



Luther Speight & Company CPAs
New Orleans, Louisiana
June 29, 2018



LUTHER SPEIGHT & COMPANY, LLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
The Brotherhood, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Brotherhood Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Brotherhood's major federal program for the year ended December 31, 2017. The Brotherhood's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Brotherhood's major federal program 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Brotherhood'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 Brotherhood's compliance.

Continued,

Opinion on Each Major Federal Program

In our opinion, the Brotherhood 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 December 31, 2017.

Report on Internal Control Over Compliance

Management of the Brotherhood 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 Brotherhood'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Brotherhood's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Luther Speight & Company CPAs

New Orleans, Louisiana

June 29, 2018

Brotherhood, Incorporated
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section I – Summary of Auditor’s Results

Financial Statements

An unqualified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified? yes no
Significant deficiencies identified
not considered to be material weaknesses? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes no
Significant deficiencies identified
not considered to be material weaknesses? yes no

An unqualified opinion was issued on compliance.

Other matters or instances on
noncompliance required to be reported
in accordance with the Uniform Guidance? yes no

The major programs for the year ended December 31, 2017 were as follows:

1. HIV Prevention Projects for CBO – CFDA 93.950
2. Pre-Exposure PrEP Prophylaxis and Peer Navigational Services Grant and 4th Generation Lab Based HIV Testing & Expanded STI Screening Grant – CFDA 93.939

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

Auditee did not qualify as a low-risk auditee.

Brotherhood, Incorporated
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

FINDING NO. 2017-01: MAINTAINING FIXED ASSET SUBSIDIARY LEDGER

CRITERIA:

Generally accepted accounting principles require that transactions in the general ledger be supported by subsidiary ledger activity as detailed support for financial transactions

CONDITION:

During our testing of the fixed assets, we noted the Brotherhood Inc. maintained a fixed asset subsidiary ledger that did not agree with the general ledger balances. Accounting Net Asset adjustments were recorded at year-end to reconcile the subsidiary ledger to the general ledger.

CAUSE:

The Organization did not maintain a fixed asset subsidiary ledger and did not record depreciation expense.

EFFECT:

The Organization faces a high risk that fixed assets acquired, deleted, and depreciated would not be properly recorded. As a result, the Organization does not have adequate internal accounting procedures in place relating to fixed assets.

RECOMMENDATION:

We recommend the Organization implement detailed reporting of all fixed assets be updated on a monthly basis from the Fixed Asset Subsidiary Ledger (Schedule) to the General Ledger of the Organization.

MANAGEMENT RESPONSE:

We will review the fixed asset subsidiary ledger (schedule) to the general ledger of the organization on a quarterly basis for any new acquired, deleted, and or depreciated fixed assets and make the adjustments on the schedule and record the entries on the general ledger of the organization so they can be reconciled on a quarterly basis as opposed to year-end.

Brotherhood, Incorporated
Schedule of Prior Year Findings
December 31, 2017

| <u>Finding #</u> | <u>Description</u> | <u>Resolved/Unresolved</u> |
|------------------|---|----------------------------|
| 2016-01 | Maintaining Fixed Asset Subsidiary Ledger | Unresolved |
| 2016-02 | Audit Report Not Submitted Timely | Resolved |

BROTHERHOOD, INCORPORATED

Schedule of Compensation, Benefits, and Other Payments
To Agency Head or Chief Executive Officer
For the Year Ended December 31, 2017

Agency Head Name: Mark Johnson, Executive Director

| <u>Purpose</u> | <u>Amount</u> |
|--|---------------|
| Salary | \$75,000 |
| Benefits-FICA | \$5,738 |
| Benefits-insurance | \$0 |
| Benefits-retirement | \$0 |
| Benefits-executive parking | \$0 |
| Car Allowance | \$0 |
| Vehicle provided by Government | \$0 |
| Per Diem | \$0 |
| Reimbursements | \$2,378 |
| Travel | \$0 |
| Registration fees | \$685 |
| Conference Travel | \$4,337 |
| Continuing professional education fees | \$0 |
| Housing | \$0 |
| Unvouchered expenses | 0 |
| Special meals | \$0 |



LUTHER SPEIGHT & COMPANY, LLC
Certified Public Accountants and Consultants

Brotherhood Incorporated

AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017



LUTHER SPEIGHT & COMPANY, LLC
Certified Public Accountants and Consultants

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

To the Board of Directors of Brotherhood Inc.
And the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Brotherhood, Inc. (the Brotherhood) 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 January 1, 2017 through December 31, 2017. The Brotherhood'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:

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

Observation: Brotherhood, Inc.'s Accounting Policies and Procedures address preparing, adopting, monitoring and amending the organization's 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.

Observation: Brotherhood, Inc.'s Accounting & Fiscal Policies and Procedures address how purchases are initiated; however, the organization is not applying the organization's purchasing policy and procedures as prescribed. Brotherhood, Inc.'s Accounting & Fiscal Policy and Procedures do not address how vendors are added to the vendor list. Brotherhood, Inc. has a preparation and approval process for purchase requisitions and purchase orders; however, they are not implementing the preparation and approval process for purchase requisitions and purchase orders; Brotherhood, Inc.'s Accounting & Fiscal Policies and Procedures do not address the development, implementation and monitoring of controls to ensure compliance with public bid law; Brotherhood, Inc.'s Accounting and Fiscal Policies and Procedures does not address what documentation is required to be maintained for all bids and price quotes.

Client Response:

We will implement and apply our fiscal policy and procedures accordingly; also, we will review all of our fiscal policy and revised them to meet the State and City's best accounting practices. We will obtain board approval once any revisions are recommended.

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

Observation: Brotherhood Inc.'s Accounting and Fiscal Policies and Procedures address disbursements, including processing, reviewing, and approving.

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

Observation: Brotherhood, Inc.'s Accounting and Fiscal Policies and Procedures address receiving, recording and preparing deposits.

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

Observation: Brotherhood, Inc. Payroll Policies and Procedures addresses payroll processing, reviewing and approving of time and attendance records including leave and overtime worked; however, Brotherhood, Inc. was unable to provide authorized rates of pay documentation for employees selected in our test of payroll.

Client Response:

All staff are paid based on approved award budget by our funders; therefore, staff were allocated based on approved FTE per our contract program deliverable. We will ensure all personnel files will be updated with written documentation accordingly based on their approved and hired rate per the award grant agreement.

- 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

Observation: Brotherhood, Inc.'s Accounting and Fiscal Policies Procedures address (1) the types of services requiring written contracts, (2) the standard terms and conditions, (3) the legal review, (4) the approval process, (5) and the 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, (4) required approvers, and (5) monitoring card usage

Observation: Brotherhood, Inc.'s Accounting and Fiscal Policies and Procedures documents that the organization does not use credit cards.

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

Observation: Brotherhood, Inc.'s Accounting and Fiscal Policies and Procedures address (1) allowable travel and expense reimbursement, (2) dollar thresholds by category of expense (e.g., meals, lodging and incidental expenses), (3) documentation requirements, and (4) required approvers.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Observation: Ethics requirements are not applicable to nonprofits.

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

Observation: Debt service requirements are not applicable to nonprofits.

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.

Observation: It appears that the board met on the following dates: January 10, 2017, April 12, 2017, August 10, 2017, and November 10, 2017.

- 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.

Observation: The minutes do not reference budget-to-actual comparisons on the General Fund nor on any additional funds identified as major funds. Also, it does not appear that the agency was deficit spending during the fiscal year. The January 10, 2017 meeting included adopting the agency's calendar year budget.

Client Response:

We indeed reviewed and discuss the agency's budget to actual spending; however, it was not detailed on our board minutes. In the future, we will ensure all discussion are included on the board minutes.

- 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.

Observation: Per observation of the January 10, 2017 board meeting, the minutes referenced renewed grant agreements with the State of Louisiana for U.S. Department of Health and Human Services funding and a pending grant approvals from the City of New Orleans for U.S. Department of Housing and Urban Development-HOPWA Program funding. In the August, 2017 board meeting, the check register, general ledger and financial statements were presented to the board “treasurer” for review.

Bank Reconciliations

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

Observation: We obtained a list of client bank accounts from management; also, we reviewed the general ledger for respective bank accounts; no exceptions noted.

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

- a) Bank reconciliations have been prepared;

Observation: The following bank reconciliations were unavailable for review:

1. GL 10100-60, Brotherhood General Checking Account-all 12 months of bank reconciliations were prepared; and all 12 months of the bank statements were available for review.
2. GL 10300-60, Payroll Checking Account-all 12 months of bank reconciliations were prepared; and all 12 months of the bank statements were available for review.
3. GL 10100-89 CDC 1502 Checking Account-all 12 months of bank reconciliations were prepared; and all 12 months of the bank statements were available for review.

- 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

Observation: The observed bank reconciliations were prepared by the Director of Finance; however, there is no documentation denoting that the bank reconciliations were reviewed

by a member of management with no involvement in the transactions associated with the bank account.

Client Response:

The bank reconciliations were reviewed by our Board Treasurer on a quarterly basis; however, was not signed upon review. We will ensure all future bank reconciliations initialed after review by our Board Treasurer.

- 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.

Observation:

1. GL 10100-60, Brotherhood General Checking Account - no reconciling items noted were outstanding for more than 6 months.
2. GL 10300-60, Payroll Checking Account- no reconciling items noted were outstanding for more than 6 months.
3. GL 10100-89 CDC 1502 Checking Account - no reconciling items noted were outstanding for more than 6 months.

Collections

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

Observation: Brotherhood Inc.'s only cash/check/money order collection location is 1422 Kerlerec, New Orleans, LA.

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

Observation: Brotherhood, Inc. was able to provide an insurance policy noting fidelity bond coverage for any organizational employee responsible for collecting cash, depositing cash, recording the related transaction or reconciling the bank account.

- 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.

Observation: Brotherhood, Inc. uses Bank Daily Deposit Slips; the Bank Daily Deposit Slips are prepared by Administrative Assistant and the Executive Director; the money is deposited by the Executive Director, and recorded to the general ledger by the Director of Finance.

- 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.

Observation: Per review of collection documentation, we selected the 1st week February, 2017, it appears that deposits were made within one day of collections.

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

Observation: It appears that daily collections are supported by documentation; no exceptions noted.

- 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.

Observation: It appears that the organization has a process to determine completeness of collections and electronic transfers by a person who is not responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-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.**

Observation: Obtained a complete listing of the cumulative general ledger population.

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.

Observation: The organization has written policies and procedures for purchase requisition/purchase ordering system; however, Brotherhood, Inc. is not implementing the purchase requisition/purchase ordering system. Brotherhood, Inc. does not use a purchase requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a purchase requisition/purchase order system.

Client Response:

When a staff member is requesting a payment and or order of supplies, they will email and complete a purchase requisition then, will forward the request to their immediate supervisor for approval. The supervisor will then review and approve the documents according to the approved budget and policy, then it will be forwarded to Executive Director for final approval. As a result, the request is processed; to be in compliance, we will ensure all future purchase requisitions are documented in a timely manner with all supporting authorized signatures.

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

Observation: The organization 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 purchase requisition/purchase order system.

Client Response:

To be in compliance, we will ensure implementation of our purchase order system policy. Purchase orders will fall in the same manner as our purchase requisition stated above.

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

Observation: Payments for purchases were processed without purchase requisition(s)/purchase order(s) and/or receiving reports; however, vendor invoices existed for all purchases. The above does not meet State of Louisiana, Office of the Legislative Auditors best practices policy and procedures.

Client Response:

As stated above, we will ensure compliance of completeness and approval process for both our purchase requisition and purchase order policy are implemented by all staff. We will adhere to the Legislative Auditors best practices policy and procedures.

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.

Observation: The organization does not have a written policy that documents who is authorized to add vendors to the entity's purchasing/disbursement system. However, it appears that two parties (i.e., Executive Director, Program Director) with roles in processing payments may or could authorize vendors to the entity's purchasing/disbursement system.

Client Response:

The agency will update the written policy to include the process of adding any new vendors to the agency'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.

Observation: It appears that the Executive Director has signatory authority and final authorization for disbursements including initiating purchases.

Client Response:

The board has given the Executive Director, Mark E. Johnson, to sign on behalf of the agency by approved board authorization form. It is reviewed and updated annually. As we maintain a minimum staff and the Executive Director, has to take on this responsibility. Monthly bank reconciliations will validate the use of funds and purchases and will be coordinated with request. The Board Treasurer reviews all bank reconciliations for accuracy.

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.

Observation: Unused checks are maintained in a locked location with access restricted to the Executive Director; however, the Executive Director has signatory authority.

Client Response:

The Executive Director does not prepare the checks for disbursements and does not have access to the accounting software and records for bank reconciliation. Any unauthorized checks will be detected upon monthly bank reconciliation; this procedure adds to our checks and balances.

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.

Observation: Brotherhood, Inc. uses a signature stamp; the signature stamp is maintained under the Executive Director's control; the signature stamp is used only with the knowledge and consent of the Executive Director. Also, the signed checks are maintained under the control of the signer or authorized user until mailed.

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

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

Observation: Brotherhood, Inc. does not use 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.)]

Observation: Brotherhood, Inc. does not use credit cards, bank debit cards, fuel cards or P-cards.

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

Observation: Brotherhood, Inc. does not use credit cards, bank debit cards, fuel cards or P-cards; thus, no finance charges/or late fees were assessed.

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.)

Observation: Not applicable; Brotherhood, Inc. does not use credit cards, bank debit cards, fuel cards or P-cards.

- 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.

Observation: Not applicable; Brotherhood, Inc. does not use credit cards, bank debit cards, fuel cards or P-cards.

- 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.

Observation: Not applicable; Brotherhood, Inc. does not use credit cards, bank debit cards, fuel cards or P-cards.

Travel and Expense 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.

Observation: We obtained the general ledger that reflected all travel and related expense reimbursements for the fiscal period. Management asserted that the general ledger includes all travel and related expense reimbursements.

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 U.S. General Service Administration rates.

Observation: We obtained the entity's written policies related to travel and expense reimbursements. The general ledger total for travel was \$21,710.56. The entity's accounting and fiscal policies address per diem and mileage reimbursement rates using GSA CONUS rates.

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

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

Observation: It appears that the organization uses the GSA rates for meals and incidental expenses.

- 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)

Observation: Each travel expense is supported by an itemized receipt that identifies precisely what was purchased and documentation of business/public purpose exist; and other documentation exist as required by written policy.

- 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.

Observation: The entity's documentation appear to meet the business/public purpose requirements of Article 7, Section 14 of the Louisiana Constitution.

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

Observation: It appears all travel cost was paid directly to third parties. Generally, it appears that expenses are reviewed and approved in writing by someone other than the person receiving the reimbursement; however, no prior purchase approval noted before disbursement to pay the obligations.

Client Response:

All travel costs were reviewed and approved per our budget by the supervisor and Executive Director, via email; we will adhere and implement our travel policy and procedure.

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.

Observation: Per review of the general ledger the following appear to represent the contracts in effect during the fiscal period: CPA services-\$3,000; Repair & Maintenance Services-\$2,720; Electrical Repair Services-\$1,830; and Dietary Services-\$3,000. However, per discussion with Brotherhood, Inc., vendor services for repair and maintenance and electrical repair services were not contractual but were intermittent calls for repair and maintenance services for rental properties owned by Brotherhood, Inc.; nothing noted to the contrary.

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.

Observation: Per review of the vendor files, formal/written agreements existed for the following vendor services: a) CPA services; and b) Dietary services. Based on procedures performed, no other services appear to be contractual or requiring a 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.

Observation: Although, there was two formal written agreements available for the "vendor" contracts (e.g. the vendor payments were \$3,000 or less for each written vendor contracts); it appears that these contracts are not subject to Louisiana Public Bid Law or Procurement Code.

- 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.

Observation: No contracts appear to be amended.

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

Observation: The largest payment for each respective contract was supported with a vendor invoice; and each vendor invoice appear to meet the payment terms of each contract.

- 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).

Observation: We noted no board approval for the above contracts; however, it appears that Brotherhood, Inc. complied with its purchasing policy and procedures for purchases over \$1,000 but less than \$5,000 by issuing a Request for Proposal.

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 period in accordance with the terms and conditions of the employment contract or pay rate structure.

Observation: We obtained a list of employees from management. We randomly selected five employees and we requested their personnel files. We were unable to compare the compensation paid to each of the five employees to the terms and conditions of their employment contract(s) or pay rate structure(s) because the files lack authorized pay rates and/or employment contracts.

Client Response:

All staff are paid based on approved award budget by our funders; therefore, staff were allocated based on approved FTE per our contract program deliverable. We will ensure all personnel files will be updated with written documentation accordingly based on their approved and hired rate per the award grant agreement.

- 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.

Observation: We reviewed the pay rates for the 24 employees selected for testing for entire calendar year 2017, we noticed changes to pay rates or salaried amounts for 1 employee. The change in pay rates/salaries was properly authorized in writing.

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

- 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.)

Observation: We obtained the attendance and leave records for all employees. We selected one payroll period (e.g., check date 1/19/17) in which leave was taken by at least one employee. From that payroll period, we tested 24 employees and ascertained if employees documented their daily attendance and leave; no exception noted.

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

Observation: Per review of payroll date 01/17/17, the supervisor(s) approved in writing the attendance and leave of each employee.

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

Observation: Brotherhood, Inc. provided a copy of written leave records (e.g., hours earned, hours used, and balance available for employees.

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.

Observation: Per review of the payroll journal, it appears that five employee was terminated during the fiscal period. Termination payments (e.g., vacation, sick, compensatory time) were made for two employees in compliance with Brotherhood Inc.'s policy and procedures during the fiscal period.

25. Obtain supporting documentation (e.g. cancelled checks, EFT 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.

Observation: Reviewed Quarterly 941s relating to payroll taxes during the fiscal period. It appears that the employee and employer portions of payroll taxes and retirement as well as the required payroll tax reporting forms were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

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

Observation: Not applicable to nonprofits.

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

Observation: Not applicable to nonprofits.

Debt Service (excluding nonprofits)

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

Observation: Not applicable to nonprofits.

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

Observation: Not applicable to nonprofits.

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

Observation: Not applicable to nonprofits.

Other

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

Observation: Per discussion with management, the organization had no misappropriations of public funds or assets.

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

Observation: The organization did not have posted on its premises and website, the notice required by R.S. 24:523.1.

Client Response:

We will download and print the notice required by R.S. 24:523.1 via online and post it at our office locations and update our website accordingly to ensure compliance.

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

Observation: No exceptions noted regarding management's representations in the procedures above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the 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.

A handwritten signature in black ink, appearing to read "Luther Speight & Co.", written in a cursive style.

Luther Speight & Company CPAs
New Orleans, Louisiana
June 29, 2018