

**APEX SOUTHEAST, INC**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

## Table of Contents

	<u>Page</u>
<b>Report</b>	
Independent Auditors' Report	1-2
<b>Basic Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-14
<b>Supplementary Information</b>	
Schedule of Compensation, Benefits, and other Payments to Agency Head	15
<b>Internal Control, Compliance, and Other Matters</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Schedule of Findings and Responses	18



# J. WALKER & COMPANY<sup>APC</sup>

ACCOUNTANTS AND ADVISORS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Apex Southeast, Inc.  
Baton Rouge, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Apex Southeast, Inc. (a nonprofit 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 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.

### Auditors' 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 auditors' 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Apex Southeast, Inc. as of June 30, 2019, and the

#### OFFICES:

2740 RUE DE JARDIN  
STE.100  
LAKE CHARLES  
LOUISIANA 70605  
(O) 337-478-7902  
(F) 337-478-3345

5100 WESTHEIMER  
SUITE 230  
HOUSTON  
TEXAS 77056  
(O) 713-588-4460  
(F) 713-966-6125

[WWW.JWALKERCO.COM](http://WWW.JWALKERCO.COM)

#### MEMBER OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head 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.

### **Substantial Doubt about the Organization’s Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 11 to the financial statements, the Organization’s charter to operate as a Type 2 charter school was revoked by the Louisiana Board of Elementary and Secondary Education, therefore, substantial doubt exists about its ability to continue as a going concern. The Organization’s actions taken in response to their loss of the charter are discussed in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of Apex Southeast, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Apex Southeast, Inc.’s internal control over financial reporting and compliance.

*J. Walker & Company, APC*

Lake Charles, LA  
December 20, 2019



## **Basic Financial Statements**

APEX SOUTHEAST, INC.

Statement of Financial Position  
June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$ 221,266
Accounts receivable	<u>51,536</u>

<b>Total Current Assets</b>	<u>272,802</u>
-----------------------------	----------------

<b>TOTAL ASSETS</b>	<u>\$ 272,802</u>
---------------------	-------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 90,338
Accrued payroll liabilities	396,108
Notes payable	<u>95,000</u>

<b>Total Current Liabilities</b>	<u>581,446</u>
----------------------------------	----------------

<b>TOTAL LIABILITIES</b>	<u>581,446</u>
--------------------------	----------------

Net Assets

Without donor restrictions (Deficit)	<u>(308,644)</u>
--------------------------------------	------------------

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 272,802</u>
---	-------------------

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

APEX SOUTHEAST, INC.

Statement of Activities  
Year Ended June 30, 2019

	<u>Without donor restrictions</u>
<b>Revenues and Other Support</b>	
Federal, state and local funding	\$ 2,183,212
Contributions	2,876
Miscellaneous revenue	<u>110</u>
<b>Total Revenue and Other Support</b>	<u>2,186,198</u>
<b>Expenses</b>	
Instructional programs	1,016,658
Management and general	<u>1,461,340</u>
<b>Total Expenses</b>	<u>2,477,998</u>
<b>Change in Net Assets</b>	<u>(291,800)</u>
Net Assets (deficit) at Beginning of Year	<u>(16,844)</u>
<b>Net Assets (deficit) at End of Year</b>	<u>\$ (308,644)</u>

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

APEX SOUTHEAST, INC.

Statement of Cash Flows  
Year Ended June 30, 2019

<b>Cash Flows From Operating Activities</b>	
Change in net assets	\$ (291,800)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in operating assets and liabilities	
(Increase) decrease in accounts receivable	143,471
(Increase) decrease in security deposits	5,000
(Increase) decrease in prepaid expenses	69,064
Increase (decrease) in account payable	68,658
Increase (decrease) in accrued liabilities	<u>97,144</u>
Net cash provided by (used by) operating activities	<u>91,537</u>
<b>Cash Flows From Investing Activities</b>	
Sales of property and equipment	<u>84,531</u>
Net cash (used) by investing activities	<u>84,531</u>
<b>Cash Flows From Financing Activities</b>	
Repayments of debt	<u>(90,000)</u>
Net cash (used) by financing activities	<u>(90,000)</u>
Net cash increase (decrease) in Cash and cash equivalents	86,068
Cash and cash equivalents, beginning of year	<u>135,198</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 221,266</u>

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

**LAUREL OAKS CHARTER SCHOOL**

**Statement of Functional Expenses  
Year Ended June 30, 2019**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
	<u>Instructional programs</u>	<u>General Administration</u>	
<b>Functional Expenses</b>			
Salaries	\$ 474,185	\$ 494,137	\$ 968,322
Employee benefits and payroll taxes	104,845	109,258	214,103
Professional fees	-	15,150	15,150
Equipment	88,000	6,077	94,077
Materials and supplies	-	169,410	169,410
Printing	-	21,322	21,322
Occupancy	160,800	-	160,800
Purchased services expenses	153,557	203,782	357,339
Communication	26,636	-	26,636
Advertising and public notices	-	3,684	3,684
Utilities	-	-	-
Training	8,538	2,142	10,680
Guidance	-	57,159	57,159
Travel	97	-	97
Transportation	-	321,231	321,231
Miscellaneous	-	57,988	57,988
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Functional Expenses</b>	<b>\$ 1,016,658</b>	<b>\$ 1,461,340</b>	<b>\$ 2,477,998</b>

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

# APEX SOUTHEAST, INC.

## Notes to the Financial Statements June 30, 2019

### Note 1 – Summary of Significant Accounting Policies

#### Organization

The Apex Southeast, Inc., (“Apex”) was incorporated on September 29, 2014 with the purpose to establish and run a public charter school in Baton Rouge, Louisiana. Apex is a Type 2 charter school governed by a board of directors. Apex provides education to all students in grades 6-12 to excel in four-year colleges and gain access to professional life opportunities through rigorous academics, core subject mastery, and character development. Also, Apex will provide the necessary tools and skills needed to develop superior levels of achievement.

Apex was granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2015 to operate a Type 2 charter school.

The school seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measure pupil progress toward stated goal; and participate in pupil assessment required by law, regulations and BESE policy.

The mission of Apex is to educate all students in grades 6-12 to excel in four-year colleges and gain access to professional and life opportunities through rigorous academics, core subject mastery, and character development.

#### General

Apex was founded in the audacious belief that through hard work by leaders, teachers, and students, college is an attainable goal for each student. Placing a priority on literacy and math, along with our commitment to a strong and positive school culture, Apex is providing students with a learning environment that fosters a mindset of college matriculation and success in life.

The Apex school has seven core elements of school design which will help them achieve their mission

1. A successful school can be built, from day one, with high academic expectations for every student, regardless of background. We will prepare students for a world where post-secondary education is the education norm.
2. Students thrive within structure and when expectations are clear, and supports are high. Our school discipline and culture are designed to help support an environment where learning is expected and enjoyed by students.
3. For students to succeed in school and in life, we must explicitly teach character development. Strong character traits are necessary for students to be successful in school and in life.
4. For students to excel, an extended day and year, with prioritized use of time, is a must. Schools with extended time for student learning have significantly better student’s achievement than their grade span peers.

# APEX SOUTHEAST, INC.

## Notes to the Financial Statements June 30, 2019

### **Note 1 – Summary of Significant Accounting Policies (continued)**

5. Students' academic growth and levels of achievement in all grades and all subjects are supported by a school's strategic use of data. Our system of data gathering, evaluation, and response allows us to adjust school operations and student interventions.
6. Successful schools identify, support and grow teachers to produce great results. We commit significant resource to identify committed professionals willing to put in the time to excel at their chosen craft.
7. Successful schools that deliver academic results have mission-driven leadership. We hire staff who exemplify leadership in every action, and who are driven to be part of a mission-driven team.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Basis of Presentation

The School is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

#### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**APEX SOUTHEAST, INC.**

Notes to the Financial Statements  
June 30, 2019

**Note 1 – Summary of Significant Accounting Policies (continued)**

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grant and Other Receivables

The grant and other receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

Property, Plant and Equipment

Land, buildings and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, as follows:

Furniture	5 years
Equipment	5 years
Computer	3 years
Software	3 years

Public Support and Revenues

The school, as a Type 2 charter school, received funding from BESE in an amount for pupils based on estimated daily attendance at school. The amount of funding received is adjusted during the school year based on October and February 1 student's counts and the result of any audits performed.

Contributions

Contributions are recorded when received. All contributions are 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 net assets with donor restrictions that increases those net asset classes. When a donor restriction expires, donor restricted net assets are reclassified and reported in the statement of activities as net assets without donor restrictions.

**APEX SOUTHEAST, INC.**

Notes to the Financial Statements  
June 30, 2019

**Note 1 – Summary of Significant Accounting Policies (continued)**

Accounts Payable

Accounts payable consists of vendor and purchased services obligations that are estimated based on an average outstanding balance of fifteen days of total estimated services incurred for the year.

Accrued Liabilities

Accrued Liabilities consists of accrued salaries and benefits expense incurred from the date of the last payment through the end of the fiscal year.

Compensated Absences

Laurel Oaks Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Financial Accounting Standards Board Accounting Standards Codification No. 710-10-50-1 (FASB ASC 710-10-50-1), "Accounting for Compensated Absences."

A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. As of June 30, 2019, no estimates were made for compensated absences.

Functional Expenses

The cost of providing the School's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Depreciation is allocated base on square footage and item usage. Cost of other categories were allocated on estimates of time and effort.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the School.

Income Taxes

Apex is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

The school has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to Federal income tax unless the School has unrelated trade or business income.

# APEX SOUTHEAST, INC.

Notes to the Financial Statements  
June 30, 2019

## Note 1 – Summary of Significant Accounting Policies (continued)

### New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

### Reclassifications

Certain accounts in 2018 financial statements have been reclassified to conform with the current year financial statement presentation.

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restriction.

## Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

### Financial assets:

Cash and cash equivalents	\$ 221,266
Accounts receivable	51,536
Total	<u>\$ 272,802</u>

Apex maintains its demand deposits in one financial institution. Accounts at this institution are insured by the U.S. Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The balances at times did not exceed federally insured limits.

## Note 3 – Fair Value Measurements

FASB Accounting Standards Codification Topic 820, “Fair Value Measurements” (Topic 820), requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. The School reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximized the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability’s measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

## APEX SOUTHEAST, INC.

### Notes to the Financial Statements June 30, 2019

#### Note 3 – Fair Value Measurements (continued)

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

ASC Topic 820 requires the School to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy, the details of such fair value measurements.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities approximate fair value due to the short-term nature of the items; and are considered to fall within Level 1 of the fair value hierarchy. The fair values of notes payable are based on a combination of the stated or implied interest rates and the unsecured borrowing rate available to us at the measurement dates; and approximate their carrying amounts. These estimates are considered to fall with Level 2 of the fair value hierarchy.

#### Note 4 – Notes Payable

On March 15, 2015 the school entered into a promissory contract with the New Schools for Baton Rouge, a Louisiana Non-Profit Organization. The promissory bears interest at 1% per annum and is payable in 24 months. The amount for the first loan is \$120,000 and a second one of \$100,000. As of the date of this report Apex Southeast, Inc the outstanding amount for these loans is \$95,000.

Under procedures of the school's close out plan, as of the date of this report, the school is in process of negotiating the outstanding balance of the debt to be forgiven by New Schools.

#### Note 5 - Risk Management

Apex is exposed to various risks of loss related to thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, employee health and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

# APEX SOUTHEAST, INC.

## Notes to the Financial Statements June 30, 2019

### **Note 6 - Payroll Tax Liability**

As of June 30, 2019, the school has a liability due to the Internal Revenue Service for unpaid payroll taxes totaling \$396,108. As of the date of this report, management are in the process for finalizing a payment arrangement based on current funds.

### **Note 7 - Retirement**

A 403(b)-retirement savings plan has been established for employees of the School; however, no funding of the plan occurred during the reporting period.

### **Note 8 - Board of Director Compensation**

The Board of Trustees is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2019.

### **Note 9 - Lease Agreement**

The school has a building and land lease with an initial term of fourteen consecutive months, commencing on July 1, 2018 and ending on June 30, 2019, and shall have the right to renew the agreement and the lease of Leased Premises hereunder for one renewal term of one year upon thirty days written notice to Mount Pilgrim Baptist Church. The school exercised its option to renew lease for one year though June 30, 2019.

### **Note 10 - Commitments and Contingencies**

#### ***State and Federal Funding***

The continuation of the School is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the Legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

The school receives funds through state and federal programs that are govern by various statues and regulations. State program funding is based primarily on student attendance data submitted on October and February each year to the Department of Education and is subject to audit and adjustment. Expenses charged to federal programs are subject to adjustments by the grantor agency. The programs administered by the school have complex compliance requirements and should state or federal auditor discovers areas of noncompliance, the school funds may be subject to refund if so, determined by the Department of Education or grantor agency.

## **APEX SOUTHEAST, INC.**

### Notes to the Financial Statements

June 30, 2019

#### **Note 11 – Going Concern and Plan of Action**

Apex Southwest, Inc. charter to operate as a Type 2 charter school was revoked by BESE. The school discontinued instructional activities on June 30, 2019. Per State requirements, Apex assets purchased with state or federal funds have been donated to other charter schools located in the Baton Rouge area. The School is in negotiations with New Schools for Baton Rouge for the forgiveness of the outstanding debt. Remaining administrative activities are being finalized with surplus funds and federal reimbursements. Those funds are expected to carry the School through December 31, 2019.

#### **Note 12 - Subsequent Events**

The management of Apex evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 20, 2019 the date which the financial statements were available to be issued.

## **Supplementary Information**

APEX SOUTHEAST, INC.

Schedule of Compensation, Benefits and Other Payments to Agency Head  
For the Year Ended June 30, 2019

Name: Eric Lewis  
Date Range: 7/1/2018-6/30/2019

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 91,800
Benefits - Insurance	5,700
Cell Phone	<u>1,200</u>
Total Compensation, Benefits, and Other Payments to Agency Head	<u>\$ 98,700</u>

See independent auditors' report.

**Internal Control, Compliance and Other Matters**



# J. WALKER & COMPANY<sup>APC</sup>

ACCOUNTANTS AND ADVISORS

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Apex Southeast, Inc.  
Baton Rouge, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Apex Southeast, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2019.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Apex Southeast, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Apex Southeast, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Apex Southeast, Inc.'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 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. 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 Apex Southeast, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with

#### OFFICES:

2740 RUE DE JARDIN  
STE.100  
LAKE CHARLES  
LOUISIANA 70605  
(O) 337-478-7902  
(F) 337-478-3345

5100 WESTHEIMER  
SUITE 230  
HOUSTON  
TEXAS 77056  
(O) 713-588-4460  
(F) 713-966-6125

WWW.JWALKERCO.COM

#### MEMBER OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*J. Walker & Company, APC*

Lake Charles, Louisiana  
December 20, 2019



## **Findings and Responses**

**APEX SOUTHEAST, INC.**

**Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**I. Summary of Auditors' Results**

a. Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Apex Southeast, Inc.
2. There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements and reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance that is reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

b. Federal Awards

N/A

c. Management Letter

No management letter was issued in connection with the audit for the year ended June 30, 2019.

**II. Findings – Internal Controls and Compliance**

No findings were reported for the current audit period.

**III. Findings – Prior Year**

No findings were reported for the prior period.



# J. WALKER & COMPANY<sup>APC</sup>

ACCOUNTANTS AND ADVISORS

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Director  
Apex Southeast, Inc  
Baton Rouge Louisiana, and the  
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Apex Southeast, 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:

### *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):

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

*We performed the procedure above and noted no exceptions.*

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.

*We performed the procedure above and noted no exceptions.*

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

*We performed the procedure above and noted no exceptions.*

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).

*We performed the procedure above and noted no exceptions.*

#### OFFICES:

2740 RUE DE JARDIN  
STE.100  
LAKE CHARLES  
LOUISIANA 70605  
(O) 337-478-7902  
(F) 337-478-3345

5100 WESTHEIMER  
SUITE 230  
HOUSTON  
TEXAS 77056  
(O) 713-588-4460  
(F) 713-966-6125

WWW.JWALKERCO.COM

#### MEMBER OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

***We performed the procedure above and noted no exceptions.***

- 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

***We performed the procedure above and noted no exceptions.***

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

***We performed the procedure above and noted no exceptions.***

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

***We performed the procedure above and noted no exceptions.***

- 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.

***We performed the above procedure and noted the ethic requirements are not applicable for the school.***

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

***We performed the procedure above and noted no exceptions.***

- 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.

***We performed the procedure above and the following exceptions were noted.***

***Results: We noted that the current policy and procedures manual did not define or include a policy for Disaster Recovery/ Business Continuity.***

***Recommendation: Apex Southeast Inc.'s charter school should update their policies and procedures manual to include the Disaster Recovery/Business Continuity plan.***



***Board or Finance Committee***

---

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.

***We performed the procedure above and noted no exceptions.***

- 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.

***We performed the procedure above and noted no exceptions.***

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

***We performed the procedure above and noted no exceptions.***

***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 (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);

***We performed the procedure above and noted no exceptions.***

- 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

***We performed the procedure above and noted the following exceptions:***

***Results: We observed that there is no evidence that anyone from management/board member reviews (e.g., initialed and dated, electronically logged) the bank reconciliations.***

***Recommendation: Someone from management should review, initial and date review of bank reconciliations.***



- 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.

*We performed the procedure above and noted no exceptions.*

### ***Collections***

---

- 4. Obtain a listing of deposit sites 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 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 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.

*We performed the procedure above and noted no exceptions.*

- 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.

*We performed the procedure above and noted no exceptions.*

- 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.

*We performed the procedure above and noted no exceptions.*

- 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.

*We performed the procedure above and noted no exceptions.*

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

*We performed the procedure above and noted no exceptions.*



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). Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.  
*We performed the procedure above and noted no exceptions.*
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.  
*We performed the procedure above and noted no exceptions.*
  - c) Trace the deposit slip total to the actual deposit per the bank statement.  
*We performed the procedure above and noted no exceptions.*
  - 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).  
*We performed the procedure above and noted no exceptions.*
  - e) Trace the actual deposit per the bank statement to the general ledger.  
*We performed the procedure above and noted no exceptions.*

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

---

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.  
*We performed the procedure above and noted no exceptions.*
  - b) At least two employees are involved in processing and approving payments to vendors.  
*We performed the procedure above and noted no exceptions.*



- 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.

*We performed the procedure above and noted no exceptions.*

- 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.

*We performed the procedure above and noted no exceptions.*

- 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.

*We performed the procedure above and noted no exceptions.*

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

*We performed the procedure above and noted no exceptions.*

***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. 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 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, 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.]]

*We performed the procedure above and noted no exceptions.*



- b) Observe that finance charges and late fees were not assessed on the selected statements.

*We performed the procedure above and noted no exceptions.*

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). 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).

*We performed the procedure above and noted no exceptions.*

**Travel and Travel-Related Expense Reimbursements (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](http://www.gsa.gov)).

*We performed the procedure above and noted no exceptions.*

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

*We performed the procedure above and noted no exceptions.*

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

*We performed the procedure above and noted no exceptions.*

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

*We performed the procedure above and noted no exceptions.*

**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 (e.g., solicited quotes or bids, advertised), if required by law.

*We performed the procedure above and noted no exceptions.*

- 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).

*We performed the procedure above and noted no exceptions.*

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

*We performed the procedure above and noted no exceptions.*

- 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.

*We performed the procedure above and noted no exceptions.*

#### ***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.)

*We performed the procedure above and noted no exceptions.*

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

*We performed the procedure above and noted no exceptions.*

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

*We performed the procedure above and noted no exceptions.*

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.

*We performed the procedure above and noted no exceptions.*

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.

*We performed the above procedure and noted the following exceptions:*

**Results:** *Payroll taxes have not been filed by required deadlines.*

**Recommendation:** *Ensure that future payroll taxes and reports are submitted in a timely manner.*

**Management's Response:** *See management's response letter.*

#### ***Ethics***

---

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above 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.

*We performed the above procedure and noted the following exceptions.*

**Results:** *1 out of 5 selected employees/board members selected did not have one hour ethics training.*

**Recommendation:** *All employees and board members should complete ethics training.*

**Management's Response:** *See management's response letter.*

- 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.

*We performed the above procedure and noted the following exceptions.*

**Results:** *1 out of 5 selected employees/board members selected did not have one hour ethics training.*

**Recommendation:** *All employees and board members should complete ethics training.*

**Management's Response:** *See management's response letter.*



***Debt Service***

---

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.

***We performed the procedure above and noted no exceptions.***

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 actual reserve balances and payments to those required by debt covenants.

***We performed the procedure above and noted no exceptions.***

***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.

***We performed the procedure above and noted no exceptions.***

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

***We performed the procedure above and noted no exceptions.***

***J. Walker & Company, APC***

Lake Charles, Louisiana  
December 27, 2019





December 30, 2019

J. Walker & Company, APC  
2740 Rue de Jardin, Suite 100  
Lake Charles, LA 70605

Dear Auditor,

In response to your draft of our annual audit report based on the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period July 1, 2018 through June 30, 2019, we submit the following management responses:

**Assessed area**

***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.

***We performed the procedure above and the following exceptions were noted.***

***Results:*** *We noted that the current policy and procedures manual did not define or include a policy for Disaster Recovery/ Business Continuity.*

***Recommendation:*** *Apex Southeast Inc.'s charter school should update their policies and procedures manual to include the Disaster Recovery/Business Continuity plan.*

***Management's Response:*** *Apex Southeast Inc.'s charter will update our policy and procedures manual to include a Disaster Recovery/Business Continuity plan.*

**Assessed area**

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

***We performed the procedure above and noted the following exceptions:***

***Results:*** *We observed that there is no evidence that anyone from management/board member reviews (e.g., initialed and dated, electronically logged) the bank reconciliations.*

**Recommendation:** *Someone from management should review, initial and date review of bank reconciliations.*

**Management's Response:** Management will ensure that reconciliation reports from the accounting system are printed and attached to the initialized hard copy of each bank statement used to complete and review each monthly account reconciliation.

#### **Assessed area**

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.

***We performed the above procedure and noted the following exceptions:***

**Results:** *Payroll taxes have not been filed by required deadlines.*

**Recommendation:** *Ensure that future payroll taxes and reports are submitted in a timely manner.*

**Management's Response:** In response to your inquiry regarding outstanding payroll liabilities. We have made attempts in March of 2019 to contact the taxing authority ahead of the school's closure to address the outstanding liabilities. While we were not able to bring final closure to this matter, the Louisiana Department of Revenue drafted payments as follows in the past year for payroll liabilities:

April 16, 2019 - \$23, 824.21

April 16, 2019 - \$24,000.00

We are working with the taxing authority to eliminate our tax liability and will ensure that payroll taxes are paid on time going forward.

#### **Assessed area**

Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above 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.

***We performed the above procedure and noted the following exceptions.***

**Results:** *1 out of 5 selected employees/board members selected did not have one hour ethics training.*

**Recommendation:** *All employees and board members should complete ethics training.*

**Management's Response:** Going forward, ethics training will be included as part of our annual staff and board training respectively to ensure that ethics training is completed in a timely manner.

- 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.

*We performed the above procedure and noted the following exceptions.*

**Results:** *1 out of 5 selected employees/board members selected did not have one hour ethics training.*

**Recommendation:** *All employees and board members should complete ethics training.*

**Management's Response:** Going forward, ethics training will be included as part of our annual staff and board training respectively to ensure that ethics training is completed in a timely manner.

Warm regards,



Executive Director  
Eric B. Lewis