

*Children's Advocacy  
Network, Inc.*

*Alexandria, Louisiana*

*December 31, 2017*

Children's Advocacy Network, Inc.

December 31, 2017

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

## Independent Auditor's Report

To the Board of Directors of  
Children's Advocacy Network, Inc.

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Advocacy Network, Inc., 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 schedule of TANF revenue and expenses and the schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2018, on our consideration of Children's Advocacy Network, Inc., Inc. 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 Children's Advocacy Network, Inc., Inc. 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 Children's Advocacy Network, Inc., Inc. internal control over financial reporting and compliance.

*Payne, Moore & Herrington, LLP*  
Certified Public Accountants  
Alexandria, Louisiana

May 21, 2018

**Children's Advocacy Network, Inc.**  
**Statement of Financial Position**  
**December 31, 2017**

**Exhibit A**

**Assets**

**Current Assets**

Cash	\$ 269,304
Receivables	882,119
Prepaid expenses	1,683
Certificate of deposit	34,954
Total Current Assets	1,188,060

**Investments**

1,113,891

**Property, Plant, and Equipment - Net of Depreciation**

439,857

**Other Assets**

Deposits	1,773
	1,773

**Total Assets**

\$ 2,743,581

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$ 2,922
Accrued liabilities	1,099
Total Current Liabilities	4,021

**Net Assets**

Unrestricted net assets	
Operating	837,233
Board designated - long-term investment plan	1,197,613
Temporarily restricted net assets	704,714
Total Net Assets	2,739,560

**Total Liabilities and Net Assets**

\$ 2,743,581

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

**Children's Advocacy Network, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2017**

**Exhibit B**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>			
Contributions	\$ 123,843	\$ -	\$ 123,843
Fundraising events	111,707	-	111,707
Grants	59,907	1,393,092	1,452,999
Court costs	55,780	-	55,780
Investment income			
Interest and dividends	45,687	-	45,687
Unrealized gain (loss) on investments	69,510	-	69,510
Net assets released from restrictions	1,121,545	(1,121,545)	-
<b>Total Revenue and Support</b>	<b>1,587,979</b>	<b>271,547</b>	<b>1,859,526</b>
<b>Functional Expenses</b>			
Program Services			
Advocacy Center	645,576	-	645,576
CASA	798,337	-	798,337
<b>Total Program Services</b>	<b>1,443,913</b>	<b>-</b>	<b>1,443,913</b>
Supporting Services			
Management and general	98,939	-	98,939
Fundraising	20,033	-	20,033
<b>Total Supporting Services</b>	<b>118,972</b>	<b>-</b>	<b>118,972</b>
<b>Total Functional Expenses</b>	<b>1,562,885</b>	<b>-</b>	<b>1,562,885</b>
<b>Change in Net Assets</b>	25,094	271,547	296,641
<b>Net Assets - Beginning of Year</b>	<b>2,009,752</b>	<b>433,167</b>	<b>2,442,919</b>
<b>Net Assets - End of Year</b>	<b>\$ 2,034,846</b>	<b>\$ 704,714</b>	<b>\$ 2,739,560</b>

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

**Children's Advocacy Network, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2017**

Exhibit C

	Program Services			Supporting Services			Total Expenses
	Advocacy Center	CASA	Total	Management and General	Fundraising	Total	
Advertising	\$ 3,637	\$ 45,525	\$ 49,162	\$ -	\$ -	\$ -	\$ 49,162
Payroll taxes and benefits	45,102	78,265	123,367	10,671	-	10,671	134,038
Salaries	295,875	513,424	809,299	70,000	-	70,000	879,299
Telephone and utilities	15,888	27,570	43,458	3,759	-	3,759	47,217
Supplies	16,242	21,129	37,371	2,344	366	2,710	40,081
Insurance	11,190	12,227	23,417	-	-	-	23,417
Professional services	79,833	20,178	100,011	-	-	-	100,011
Depreciation	13,104	22,740	35,844	3,100	-	3,100	38,944
Rent	90,000	17,100	107,100	-	-	-	107,100
Travel and education	68,304	34,092	102,396	1,530	-	1,530	103,926
Other	6,401	6,087	12,488	7,535	19,667	27,202	39,690
<b>Total Expenses</b>	<b>\$ 645,576</b>	<b>\$ 798,337</b>	<b>\$ 1,443,913</b>	<b>\$ 98,939</b>	<b>\$ 20,033</b>	<b>\$ 118,972</b>	<b>\$ 1,562,885</b>

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

**Children's Advocacy Network, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2017**

**Exhibit D**

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 296,641
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	38,944
Unrealized (gain) or loss on investments	(69,510)
Changes in operating assets and liabilities:	
Accounts receivable	(299,870)
Prepaid expenses	4,157
Accounts payable	(2,569)
Accrued liabilities	(20)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(32,227)</u>
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	(149,074)
Proceeds from the sale of investments	244,545
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>95,471</u>
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>-</u>
<b>Net Increase (Decrease) in Cash</b>	63,244
<b>Cash, Beginning of Year</b>	<u>206,060</u>
<b>Cash, End of Year</b>	<u><u>\$ 269,304</u></u>

**Additional Required Disclosures:**

1. No amounts were paid for interest during the year.
2. No amounts were paid for taxes during the year.
3. There were no material noncash investing or financing transactions during the year that affected recognized assets and liabilities.

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

**Children's Advocacy Network, Inc.**  
**December 31, 2017**

**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies:**

Organization

The Children's Advocacy Network, Inc. (C.A.N.) is a nonprofit organization which utilizes an interagency approach to the investigation, prosecution, and treatment of children sexually and physically abused. The mission of C.A.N. is to lessen the trauma experienced by child abuse victims as allegations are investigated and to provide support for the child victim in any resulting proceeding within the criminal justice system. Program activities conducted in pursuit of this mission are described as follows:

- Advocacy Center – The advocacy center coordinates the efforts of child protection staff, law enforcement professionals, family advocates, medical experts, and mental health clinicians under one roof to foster hope and healing for children and their families.
- CASA – Court Appointed Special Advocates (CASAs) are trained community volunteers appointed by the judge to represent the interests of abused and neglected children. CASAs conduct an independent investigation for the purposes of providing the court with objective recommendations regarding the child's best interest. C.A.N. recruits, screens, and trains CASA volunteers.

Basis of Presentation

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles.

As required by Generally Accepted Accounting Standards, net assets and activities are classified in the following manner:

- Unrestricted – Net assets that are not subject to significant donor imposed restrictions.
- Temporarily Restricted – Net assets subject to certain donor imposed restrictions and restrictions imposed by grant agreements. Temporary restrictions apply when the restriction can be fulfilled by actions of C.A.N. or by the passage of time.
- Permanently Restricted – Net assets subject to donor imposed restrictions that require these assets to be maintained in a perpetual manner.

Cash and Cash Equivalents

Cash and cash equivalents represent bank deposits and highly liquid investments with original maturities of three months or less.

**Children's Advocacy Network, Inc.**  
**December 31, 2017**

**Notes to Financial Statements**

Promises to Give

As required by generally accepted accounting principles, unconditional promises to give are reported as revenue when the promise is made. Conditional promises to give are recognized as revenue when the necessary conditions are fulfilled. Promises to give are reported as receivables on the Statement of Financial Position.

Prepaid Expenses

Prepaid expenses include insurance premiums paid prior to year-end for coverage included in the next year.

Certificates of Deposit

Certificates of deposit have a maturity date in excess of 90 days when purchased and are stated at cost, which approximates market value. Certificates of deposit having a maturity date greater than one year from year-end are considered long-term assets.

Investments

Investments consist of marketable securities that are reported at fair market value based on quoted market prices. Equity investments that are not actively traded are reported at cost when fair market values are not available.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost on the date of acquisition. Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Donated property is recorded at the estimated fair value upon receipt. Depreciation is computed using the straight-line methods over estimated useful lives ranging from 5 to 40 years.

Assets donated with explicit restrictions regarding their use and contributions of cash earmarked to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, C.A.N. reports expirations of donor restrictions when the donated or acquired assets are placed in service. C.A.N. reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Compensated Absences

Employees are allowed to accumulate and carry over a maximum of 40 hours of vacation time per year. Actual amounts carried over were immaterial at December 31, 2017.

Use of Donated Facilities

C.A.N. rents an office facility for \$1 each year under the terms of a lease agreement (see Note 14 – Leases). Contribution revenue and rent expense are recognized in an amount approximating the annual estimated fair-value rental of the property.

**Children's Advocacy Network, Inc.**  
**December 31, 2017**

**Notes to Financial Statements**

Expense Allocation

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

Advertising

C.A.N.'s advertising programs are not considered to have any significant benefits for future periods. Accordingly, advertising costs are expensed as incurred.

Income Taxes

C.A.N. is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Furthermore, C.A.N. is not classified as a "private foundation" by the Internal Revenue Service.

C.A.N.'s tax returns remain subject to audit by the IRS for three years after filing. At December 31, 2017, the returns for 2014, 2015, and 2016 remain open.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires certain estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through May 21, 2018, the date which the financial statements were available for issue.

**2. Cash**

Demand deposits	\$ 220,536
Money market accounts	<u>48,768</u>
	\$ 269,304

**3. Receivables**

Grants and pledges receivable consisted entirely of unconditional promises to give. Details regarding the amount reported on the Statement of Financial Position are provided as follows:

Grants and pledges	\$ 837,392
Court costs	<u>44,727</u>
	\$ 882,119

Receivables are considered entirely collectible and there is no allowance for doubtful accounts. Furthermore, the entire balance is considered collectible within one year.

**Children's Advocacy Network, Inc.**  
**December 31, 2017**

**Notes to Financial Statements**

**4. Certificate of Deposit**

The certificate of deposit is held at a local brokerage firm and earned interest at a rate of 1.55% in 2017. The certificate of deposit matures November 29, 2018.

**5. Investments**

Investment securities are reported at quoted market prices. Investment securities held at year-end are described as follows:

Fixed income securities	\$ 209,034
Mutual funds	482,382
Exchange traded products	402,915
Real estate investment trust	19,560
	\$ 1,113,891

Fixed income securities consist of various bond issues that are described more fully as follows:

	<u>Moody Rating</u>	<u>Maturity Date</u>	<u>Rate</u>	<u>Total</u>
General Electric Capital	A1	09/15/20	5.900%	\$ 64,882
Goldman Sachs Group	A3	03/15/20	5.375%	42,413
JPMorgan Chase Group	BAA1	09/10/24	3.875%	52,156
Wells Fargo Group	A2	02/19/25	3.000%	49,583
				\$ 209,034

Mutual funds consist of various professionally managed investment arrangements designed to invest in various securities. Details related to mutual fund holdings are described as follows:

<u>Investment Category</u>	
Domestic convertible securities	\$ 42,260
Intermediate term bonds	266,756
High yield bonds	45,170
World bonds	95,710
Variable rate senior corporate debt	32,486
	\$ 482,382

Exchange traded products are investment vehicles that are traded on various stock exchanges. These funds are invested in various securities in a manner designed to track various market indices that are more fully described as follows:

<u>Market Index</u>	<u>Total</u>
IShares	
Morningstar Dividend Leaders Index	\$ 45,135
Morgan Stanley Capital International – Emerging Markets	34,633
Exchange - Traded Northern American Energy Infrastructure	35,858
S & P 500 Citigroup Growth	54,233
S & P North American Natural Resources Sector	32,605
Morgan Stanley Capital International – Europe, Australasia, and Far East	40,780
S & P Midcap 400/Citigroup Value	40,028

**Children's Advocacy Network, Inc.**  
**December 31, 2017**

**Notes to Financial Statements**

S & P Smallcap 600/Citigroup Value	40,389
S & P U.S. Preferred Stock	49,490
State Street Global Advisors	
Utilities Select Sector	<u>29,764</u>
	<b>\$ 402,915</b>

A real estate investment trust (REIT) invests in commercial properties, industrial properties, and loans secured by real estate. Shares in the REIT are not actively traded but shareholders are offered an opportunity to redeem shares at amounts based on estimated fair market values. The estimated fair market values have been determined based on valuations provided by third party real estate advisors. Management has evaluated these shares for impairment and determined that there were no circumstances or events that are expected to have an adverse impact on the value of the REIT investments.

**6. Endowments**

The endowments held by C.A.N. consist entirely of funds designated by the Board of Directors and are classified as unrestricted net assets. C.A.N. invests these funds according to an investment strategy that currently includes having an independent investment advisor manage the funds, with the intent of distributing investment income to support undesignated operations.

Changes in endowment net assets for the year ended December 31, 2017, consist of the following:

	<u>Total</u>
Endowment, beginning of year	\$ 1,149,159
Contributions	-
Investment income	43,369
Net appreciation (depreciation)	69,510
Fees	(6,508)
Appropriations	<u>(57,917)</u>
Endowment, end of year	<b>\$ 1,197,613</b>

**7. Fair Values**

C.A.N. is required to disclose estimated fair value for all financial instruments and non-financial instruments measured at fair value on a recurring basis. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**Children's Advocacy Network, Inc.**  
**December 31, 2017**

**Notes to Financial Statements**

C.A.N. uses the appropriate valuation technique based on the available inputs to measure the fair value of its investments.

Details regarding assets measured at fair value on a recurring basis are provided as follows:

Description	Fair Value Measurement at Reporting Date Using			
	Total 12/31/17	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$ 34,954	\$ 34,954	\$ -	\$ -
Fixed income securities	209,034	209,034	-	-
Mutual funds	482,382	482,382	-	-
Exchange traded products	402,915	402,915	-	-
Real estate investment trust	19,560	-	19,560	-
Total Investments	\$ 1,148,845	\$ 1,129,285	\$ 19,560	\$ -

A reconciliation of fair values measured using Level 2 inputs is provided as follows:

Fair Value Measurements Using Level 2 Inputs

Beginning Balance	\$ 21,960
Unrealized gain (loss) on investment	(2,400)
Ending Balance	\$ 19,560

**8. Property, Plant, and Equipment**

Office building	\$ 219,151
Furniture, fixtures, and equipment	391,235
Leasehold improvements	301,715
Total property, plant, and equipment	912,101
Accumulated depreciation	(472,244)
Property, plant, and equipment, net of accumulated depreciation	\$ 439,857

Depreciation expense for 2017 was \$38,944.

**9. Board Designated Funds**

In order to establish reserves and generate investment income, the Board of Directors has established a long-term investment plan. Amounts held in money market accounts and investment securities have been designated for the long-term investment plan. Accordingly, these assets are presented as Board Designated in the accompanying Statement of Financial Position.

**Children's Advocacy Network, Inc.**  
**December 31, 2017**

**Notes to Financial Statements**

**10. Temporarily Restricted Net Assets**

The unexpended portion of various grants and contributions has been classified as temporarily restricted net assets due to restrictions imposed by various grantors and donors. Temporarily restricted net assets at year-end consist of the following:

Red River Delta	\$ 663,017
Louisiana Charities	<u>41,697</u>
	\$ 704,714

**11. Conditional Promises to Give**

C.A.N. is the recipient of TANF (Temporary Assistance for Needy Families) Funds that are available on a cost reimbursement basis. Based on the terms of the grant agreement, TANF awards are not considered revenue until expenses qualifying for reimbursement are incurred. Accordingly, the unexpended portion of TANF awards is considered to be a conditional promise to give. At December 31, 2017, conditional promises to give totaled \$271,507 and consisted entirely of TANF funds.

**12. Contingent Liabilities**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of C.A.N. C.A.N.'s management believes disallowances, if any, will not be material.

**13. Concentrations of Credit Risks**

C.A.N. maintains a checking account at a local financial institution which is insured by the Federal Deposit Insurance Corporation up to \$250,000. All cash was insured at December 31, 2017. C.A.N. also has investment accounts with two brokerage firms which are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 each. Some brokerage firms carry additional insurance to cover amounts over \$500,000. There were no uninsured balances held in the brokerage firms at December 31, 2017.

TANF and Red River Delta provided \$1,355,005 in grants, which is approximately 73% of total revenue and support. Without these grants, programs would be significantly affected.

**14. Leases**

C.A.N. has entered into the following lease agreements to rent office space:

Beginning in 2014, C.A.N. rents an office facility at 1506 Albert Street in Alexandria to conduct the forensic interviewing services. The term of the lease agreement covers the period from January 1, 2014 to December 3, 2028. Under this agreement, C.A.N. agrees to operate the facility as a children's advocacy center for the benefit of the community, pay for any remodeling, and pay an annual rental of \$1 due at the beginning of the lease. Contribution revenue and rent expense have been recognized in the amount of \$90,000 for the year ended December 31, 2017.

**Children's Advocacy Network, Inc.**  
**December 31, 2017**

**Notes to Financial Statements**

Beginning in 2015, C.A.N. rents an office facility at 120 West Mark Street in Marksville to recruit, screen, and train CASA volunteers in Avoyelles Parish. The lease term is on a month-to-month basis beginning February 1, 2015 with monthly payments of \$500. Total rent expense has been recognized in the amount of \$6,000 for the year ended December 31, 2017.

Beginning in 2016, C.A.N. rents an office facility at 453 Second Street in Colfax to recruit, screen, and train CASA volunteers in Grant Parish. The lease term is on a month-to-month basis beginning March 1, 2016 with monthly payments of \$400. Beginning in October 2017, the monthly payments increased to \$500. Total rent expense has been recognized in the amount of \$5,100 for the year ended December 31, 2017.

Beginning in 2016, C.A.N. rents an office facility at 104 South Jones Street in Winnfield to recruit, screen, and train CASA volunteers in Winn Parish. The lease term is on a month-to-month basis beginning April 1, 2017 with monthly payments of \$500. Total rent expense has been recognized in the amount of \$6,000 for the year ended December 31, 2017.

**15. Retirement Plan**

C.A.N. provides the option for employees to participate in a 403(b) tax deferred retirement plan. An employee is immediately eligible to participate in this plan. Participants are allowed to make individual voluntary contributions to the plan through salary deferral. The maximum allowable contributions are regulated by the Internal Revenue Service regulations. C.A.N. does not make any matching or discretionary retirement plan contributions.

## **Supplemental Information**

**Children's Advocacy Network, Inc.**  
**Schedule of TANF Revenue and Expenses**  
**Year Ended December 31, 2017**

**Schedule 1**

**TANF Revenue**

Grant revenue	\$ 522,659
---------------	------------

**TANF Expenses**

Salaries	\$ 283,227
Payroll taxes and benefits	48,108
Professional services	3,273
Operating expenses	66,783
Travel	15,064
Training	15,714
Supplies	4,645
Printing/copying	12,295
Administration - TANF funded	73,550
Total TANF Expenses	\$ 522,659

See independent auditor's report.

**Children's Advocacy Network, Inc.**  
**Schedule of Compensation, Benefits, and Other Payments**  
**to Agency Head or Chief Executive Officer**  
**Year Ended December 31, 2017**

**Schedule 2**

William Bond, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 70,000
Benefits - insurance	2,060
Travel	3,168
Meals	1,437
Reimbursements	<u>1,484</u>
 <b>Total</b>	 <u><u>\$ 78,149</u></u>

See independent auditor's report.

**Children's Advocacy Network, Inc.  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017**

Schedule 3

Federal Grantor/ Pass-through Grantor/ Program Name	CFDA Number	Pass-through Grant Number	Amount Expended
<b>United States Department of Justice-</b>			
<b>Office for Victims of Crime</b>			
Passed through the State of Louisiana			
Commission on Law Enforcement and Administration of Criminal Justice			
Crime Victim Assistance	16.575	2014-VA-03-2337	\$ 18,687
Crime Victim Assistance	16.575	2015-VA-03-2924	515,892
Passed through National Children's Alliance			
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers			
	16.758	1-ALEX-LA-SA16	<u>7,000</u>
<b>Total United States Department of Justice</b>			<u>541,579</u>
<b>United States Department of Health and Human Services-</b>			
<b>Administration for Children and Families</b>			
Passed through the State of Louisiana			
Office of the Judicial Administrator			
TANF Cluster			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	<u>389,845</u>
<b>Total United States Department of Health and Human Services</b>			<u>389,845</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 931,424</u></u>

Notes:

(1) The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Children's Advocacy Network, Inc. under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Center.

(2) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) No federal funds were awarded to subrecipients during the year ended December 31, 2017.

(4) Children's Advocacy Network, Inc. did not elect to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

See independent auditor's report.

**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***



PAYNE, MOORE & HERRINGTON, LLP

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of  
Children's Advocacy Network, Inc.

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 Children's Advocacy Network, Inc. (C.A.N.) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Children's Advocacy Network, 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 C.A.N.'s internal control. Accordingly, we do not express an opinion on the effectiveness of C.A.N.'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.

REBECCA B. MORRIS, C.P.A.  
MICHAEL A. JUNEAD, C.P.A.  
CINDY L. HUMPHRIES, C.P.A.

DEBORAH R. BUNN, C.P.A.  
REBECCA G. NATION, C.P.A.  
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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Children's Advocacy Network, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 C.A.N.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering C.A.N.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants  
Alexandria, Louisiana

May 21, 2018

**Independent Auditor's Report  
on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by the Uniform Guidance**



PAYNE, MOORE & HERRINGTON, LLP

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**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 Directors of  
Children's Advocacy Network, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited the Children's Advocacy Network, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of C.A.N.'s major federal programs for the year ended December 31, 2017. C.A.N.'s major federal programs are 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 each of the Children's Advocacy Network, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 (CFR) 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 Children's Advocacy Network, Inc.'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 C.A.N.'s compliance.

REBECCA B. MORRIS, C.P.A.  
MICHAEL A. JUNEAU, C.P.A.  
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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.

### ***Opinion on Each Major Federal Program***

In our opinion, the Children's Advocacy Network, Inc. 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.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

Children's Advocacy Network, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. C.A.N.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of the Children's Advocacy Network, Inc. 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 C.A.N.'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 C.A.N.'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 a 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*



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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.

*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.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants  
Alexandria, Louisiana

May 21, 2018

**Children's Advocacy Network, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2017**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u>  x  </u> No
Significant deficiency identified not considered to be a material weakness?	_____ Yes <u>  x  </u> None reported
Noncompliance material to financial statements noted?	_____ Yes <u>  x  </u> No
Management's Corrective Action Plan	Not Applicable
Management's Summary Schedule of Prior Audit Findings	See Attached
Memorandum of Other Comments and Recommendations	None issued

*Federal Awards*

Internal control over major programs:	
Material weakness(es) identified?	_____ Yes <u>  x  </u> No
Significant deficiency identified not considered to be a material weakness?	_____ Yes <u>  x  </u> None reported
Type of auditor's report issued on compliance for major programs	Unmodified for Temporary Assistance for Needy Families, CFDA #93.558
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<u>  x  </u> Yes    _____ None reported
Identification of major programs:	
<u>CFDA Numbers</u> 93.558	<u>Name of Federal Program or Cluster</u> Temporary Assistance for Needy Families
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ Yes <u>  x  </u> No

**Children's Advocacy Network, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2017**

**Section II - Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2017-001 – Untimely Submission of 2016 Single Audit Report**

Criteria: In accordance with Uniform Guidance 2 CFR 200.512(a), the Single Audit report must be submitted within the earlier of thirty (30) days after receipt of the auditor's report, or nine (9) months after the end of the audit period.

Condition and Context: Children's Advocacy Network, Inc.'s 2016 Single Audit report was not submitted to the Federal Audit Clearinghouse within thirty (30) days after receipt of the auditor's report.

Cause and Effect: Payne, Moore & Herrington, LLP entered all data pertinent to the 2016 Single Audit submission in May 2017 on behalf of C.A.N. During the current year's audit, Payne, Moore & Herrington, LLP discovered the 2016 Single Audit had not been submitted to the Federal Audit Clearinghouse. Therefore, C.A.N. was noncompliant with the Uniform Guidance's deadline requirement.

Recommendation: This was an isolated incident in that the 2016 Single Audit report was C.A.N.'s first Single Audit. Once discovered, Payne, Moore & Herrington, LLP and C.A.N. immediately submitted the report as required by the Federal Audit Clearinghouse. We recommend that all future submissions be made timely.

Management's Response: See Management's Corrective Action Plan.



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Children's  
Advocacy Network

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**Children's Advocacy Network, Inc.  
Management's Corrective Action Plan  
Year Ended December 31, 2017**

The Children's Advocacy Network, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2017.

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP  
P.O. Box 13200  
Alexandria, LA 71315-3200

Audit Period: January 1, 2017 - December 31, 2017

**Finding 2017-001 – Untimely Submission of 2016 Single Audit Report**

Condition and Context: Children's Advocacy Network, Inc.'s 2016 Single Audit report was not submitted to the Federal Audit Clearinghouse within thirty (30) days after receipt of the auditor's report.

Recommendation: This was an isolated incident in that the 2016 Single Audit report was C.A.N.'s first Single Audit. Once discovered, Payne, Moore & Herrington, LLP and C.A.N. immediately submitted the report as required by the Federal Audit Clearinghouse. It was recommended that all future submissions be made timely.

Corrective action taken: Management understands its responsibility for the submission process and will ensure timely compliance with filing requirements.





**Children's Advocacy Network, Inc.  
Management's Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2017**

**Finding 2016-001 – Material Audit Adjustments**

Condition and Context: Control deficiencies resulted in the following material audit adjustments that may not have been detected except for independent audit procedures.

- Balance sheet accounts did not reflect the correct beginning balances from the prior year audited financial statements.
- Accumulated depreciation for property, plant, and equipment and the related depreciation expense were materially understated by current year depreciation amounts.

Current Status: Resolved.

**Finding 2016-002 – Improper Classification of Expenses**

Condition and Context: Some expenses were misclassified as they relate to grants in the general ledger.

Current Status: Resolved.

**Finding 2016-003 – Inadequate Verification of Vendors**

Condition and Context: Verification for suspension or debarment was not conducted.

Current Status: Resolved.

*Children's Advocacy  
Network, Inc.*

*Statewide Agree-Upon Procedures Report*

*Alexandria, Louisiana*

*December 31, 2017*



PAYNE, MOORE & HERRINGTON, LLP

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### Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors of  
Children's Advocacy Network, Inc.  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Children's Advocacy Network, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

#### ***Written Policies and Procedures***

---

1. **Procedure:** 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.
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving.
  - d) **Receipts**, including 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.





PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.  
and the Louisiana Legislative Auditor

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, and 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.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. Note: Debt service requirements are not applicable to this nonprofit.

**Results:** No exceptions noted.

***Board (or Finance Committee, if applicable)***

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2. **Procedure:** 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.
  - 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).
    - 1. 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.
  - 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.

**Results:** No exceptions noted.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.  
and the Louisiana Legislative Auditor

### ***Bank Reconciliations***

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

**Results:** No exceptions noted.

4. **Procedure:** Using the listing provided by management, select all of the Entity's bank accounts [if five (5) accounts or less] or one-third of the bank accounts on a three year rotating basis [if more than five (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;
- 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
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period.

**Results:** In our test of the monthly bank statements and reconciliations, we found no written evidence that either management or a board member reviewed the January through November 2017 bank reconciliations.

**Management's Response:** The Executive Director has begun to document monthly review of the bank statements and reconciliations. In addition, the agency relies on an outside CPA firm for monthly bookkeeping services that ensures bank accounts are reconciled properly. This adds a layer of oversight to the agency's financial procedures beyond relying on staff.

### ***Collections***

---

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

**Results:** No exceptions noted.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.  
and the Louisiana Legislative Auditor

6. **Procedure:** Using the listing provided by management, select all of the Entity's cash collection locations [if five (5) locations or less] or one-third of the collection locations on a three year rotating basis [if more than five (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. *Note: this nonprofit does not have any cash registers or drawers.*
  - 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.
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    1. 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.
    2. 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.

**Results:** In our test of collections, none of the receipts were date stamped when received. Therefore, we were unable to determine if these collections were deposited within one day of the receipt.

**Management's Response:** The agency staff will establish a cash receipts log documenting the date of receipt. Cash received will be deposited no later than the following business day.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.  
and the Louisiana Legislative Auditor

7. **Procedure:** 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.

**Results:** The Entity does not have formal written policies and procedures for determining the completeness of all collections for each revenue source by a person who is not responsible for those collections.

**Management's Response:** Agency management will create and implement procedures to verify completeness of revenue collection by someone other than the person collecting the revenue.

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

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8. **Procedure:** 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.

**Results:** No exceptions noted.

9. **Procedure:** Using the disbursement population from #8 above, randomly select twenty-five (25) disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Entity had less than twenty-five (25) transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.  
and the Louisiana Legislative Auditor

**Results:** Of the twenty-five (25) disbursements tested, we noted three (3) instances in which no purchase order was used or approved, and, therefore, payments were processed without purchase orders, and four (4) instances in which there was no written authorization for the disbursement.

**Management's Response:** All purchases made by the agency will include a properly completed purchase order request initiated by the Program Director or agency management. Proper approval will be noted on the PO according to the agency's policy for expenditures.

10. **Procedure:** 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.

**Results:** The Entity's formal written policies and procedures state that the Finance Director is responsible for processing payments and adding new vendors with the permission of the Executive Director.

**Management's Response:** The agency will utilize the CPA bookkeeping firm for adding vendors in the future.

11. **Procedure:** 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.

**Results:** No exceptions noted.

12. **Procedure:** 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.

**Results:** No exceptions noted.

13. **Procedure:** 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. Note: this nonprofit does not use signature stamps or signature machines.

**Results:** No exceptions noted.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of  
Children's Advocacy Network, Inc.  
and the Louisiana Legislative Auditor

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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- 14. Procedure:** 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.

**Results:** No exceptions noted.

- 15. Procedure:** Using the listing prepared by management, randomly select ten (10) cards [or at least one-third of the cards if the entity has less than ten (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.
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

**Results:** No exceptions noted.

- 16. Procedure:** Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the ten (10) cards selected [i.e. each of the ten (10) cards should have one (1) month of transactions subject to testing].

- a) For each transaction, report whether the transaction is supported by:
  1. An original itemized receipt (i.e., identifies precisely what was purchased).
  2. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
  3. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions. Note: Louisiana Public Bid Law is not applicable to nonprofits.



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- 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.

**Results:** In our test of eight (8) credit card charges, we noted the following exceptions:

- 1) Three (3) instances in which the receipts related to meal charges did not include documentation of the individuals participating.
- 2) One (1) instance in which the charge did not comply with the entity's written purchasing/disbursement policies. This charge was for a monthly service which is not an allowed credit card purchase according to their policy.

**Management's Response:** Employees will document attendance for meal charges on credit cards. Management and the board will review the agency's policy regarding allowed credit card charges to determine if it should be amended.

### ***Travel and Expense Reimbursement***

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17. **Procedure:** 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.  
**Results:** No exceptions noted.
18. **Procedure:** 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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.  
**Results:** No exceptions noted.
19. **Procedure:** Using the listing or general ledger from #17 above, select the three (3) 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 (3) travel expenses selected:



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- 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.
- b) Report whether each expense is supported by:
  1. 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.]
  2. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
  3. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- 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.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Results:** In our test of three (3) travel reimbursements tested, we noted the following exceptions:

- 1) One (1) instance in which mileage was reimbursed at a rate higher than the rate set in the entity's policy and GSA rates.
- 2) One (1) instance in which the reimbursement was not approved by someone other than the person receiving the reimbursement.

**Management's Response:** 1) The Finance Director will review all mileage reimbursement requests to ensure the correct rate is paid prior to the reimbursement. 2) A board member signed the check for reimbursement to the executive director indicating approval of the reimbursement and review of supporting documentation.



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### **Contracts**

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**20. Procedure:** 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.

**Results:** No exceptions noted.

**21. Procedure:** Using the listing above, select the five (5) 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.
- 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:
  1. 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).
  2. If no, obtain supporting contract documentation and report whether the Entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five (5) 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.
- 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).

**Results:** No exceptions noted.



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### ***Payroll and Personnel***

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- 22. Procedure:** 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 (5) employees/officials, obtain their personnel files, and:
- Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
  - 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.

**Results:** No exceptions noted.

- 23. Procedure:** 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 twenty-five (25) employees/officials (or randomly select one-third of employees/officials if the Entity had less than twenty-five (25) employees during the fiscal period), and:
- 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.)
  - Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
  - Report whether there is written documentation that the Entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

**Results:** Of the seven (7) employees tested, we noted one (1) instance in which there was no written documentation that supervisors approved, electronically or in writing, the leave of the selected employee.

**Management's Response:** Managers approve the timesheets of their employees documenting the leave time for the pay period. However, the agency staff will ensure that additional documentation of the approved leave is in the file according to procedures.



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**24. Procedure:** 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 (2) largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two (2) employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

**Results:** No exceptions noted.

**25. Procedure:** Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

**Results:** No exceptions noted.

#### ***Ethics (excluding nonprofits)***

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**26. Procedure:** 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.

**Results:** Ethics requirements are not applicable to nonprofits.

**27. Procedure:** 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.

**Results:** Ethic requirements are not applicable to nonprofits.

#### ***Debt Service (excluding nonprofits)***

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

**Results:** Debt service requirements are not applicable to nonprofits.



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**29. Procedure:** 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.

**Results:** Debt service requirements are not applicable to nonprofits.

**Procedure:** 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.

**Results:** Debt service requirements are not applicable to nonprofits.

#### *Other*

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**30. Procedure:** 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.

**Results:** No exceptions noted.

**31. Procedure:** 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](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Results:** The entity has not posted the notice on its website as required by R.S. 24:523.1.

**Management's Response:** The agency has subsequently complied and posted the notice on our website.

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

**Results:** No exceptions noted.



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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.

*Payne, Moore & Herrington, LLP*

Payne, Moore & Herrington, LLP  
Alexandria, Louisiana

May 21, 2018