

ACADIANA OPEN CHANNEL, INC.

Financial Report

Year Ended June 30, 2017

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KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Acadiana Open Channel, Inc.
Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Acadiana Open Channel, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. 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 Acadiana Open Channel, Inc. as of June 30, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 14 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 related 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017, on our consideration of Acadiana Open Channel, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Acadiana Open Channel, Inc.'s internal control over financial reporting and compliance.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 13, 2017

FINANCIAL STATEMENTS

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Statement of Financial Position
June 30, 2017

ASSETS

Current assets:	
Cash and cash equivalents	\$ 286,056
Receivables -	
Accounts	1,605
Grants	235,533
Prepaid expenses	<u>22,344</u>
Total current assets	545,538
Property and equipment, net	117,063
Other assets:	
Security deposits	<u>5,100</u>
Total assets	<u>\$ 667,701</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 12,592
Accrued liabilities	<u>24,263</u>
Total current liabilities	<u>36,855</u>
Net assets:	
Unrestricted	594,349
Temporarily restricted	<u>36,497</u>
Total net assets	<u>630,846</u>
Total liabilities and net assets	<u>\$ 667,701</u>

The accompanying notes are an integral part of this statement.

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Statement of Activities
For the Year Ended June 30, 2017

Unrestricted net assets:	
Unrestricted revenues -	
Grants:	
Lafayette City-Parish Consolidated Government	\$ 636,612
Lafayette Utilities System	50,066
Cox Communications	<u>246,405</u>
Total grants	<u>933,083</u>
Contributions and other:	
Contributions	1,543
Membership fees	11,837
Charges for services	11,450
Other income	<u>1,465</u>
Total contributions and other	<u>26,295</u>
Total unrestricted revenues	959,378
Net assets released from restrictions	<u>35,235</u>
Total unrestricted revenues and other support	<u>994,613</u>
Expenses -	
Program services - Public Access Television	<u>761,743</u>
Supporting services:	
Management and general	132,740
Fundraising expenses	<u>44,272</u>
Total supporting services	<u>177,012</u>
Total expenses	<u>938,755</u>
Increase in unrestricted net assets	<u>55,858</u>
Temporarily restricted assets:	
Contributions	28,268
Net assets released from restrictions	<u>(35,235)</u>
Net decrease in temporarily restricted assets	<u>(6,967)</u>
Increase in net assets	48,891
Net assets, beginning of year	<u>581,955</u>
Net assets, end of year	<u>\$ 630,846</u>

The accompanying notes are an integral part of this statement.

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Statement of Cash Flows
For the Year Ended June 30, 2017

Cash flows from operating activities:	
Increase in net assets	\$ 48,891
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation	40,857
Change in current assets and liabilities:	
Receivables	(5,157)
Prepaid expenses	196
Accounts payable	(3,987)
Accrued liabilities	<u>1,365</u>
Net cash provided by operating activities	82,165
Cash flows used by investing activities:	
Purchase of equipment	<u>(18,636)</u>
Net increase in cash and cash equivalents	63,529
Cash and cash equivalents, beginning of year	<u>222,527</u>
Cash and cash equivalents, end of year	<u>\$ 286,056</u>
Supplemental disclosure for the statement of cash flows:	
Interest paid	<u>\$ 115</u>

The accompanying notes are an integral part of this statement.

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Organization and Purpose

The Acadiana Open Channel, Inc. (Organization) is a non-profit corporation organized under the laws of the State of Louisiana on July 1, 1981. Its purpose is to coordinate the use of public access channels provided by the cable television system in Lafayette, Louisiana. The Organization also provides production facilities, technical assistance, and training to individuals, groups and organizations interested in producing non-commercial education, cultural, informational or other community-oriented television programs.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

D. Grants Receivable

Grants receivable are recognized only to the extent that related expenses have been incurred.

E. Prepaid Expenses

Prepaid balances are the payments made by the Organization in the current year to provide services occurring in the subsequent fiscal year.

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Notes to Financial Statements (Continued)

F. Property and Equipment

The Organization's capitalization policy is \$1,000 for property and equipment recorded at cost, if purchased, or at estimated fair market value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. In the absence of donor stipulations regarding how long the contributed asset must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expires over the useful lives of the assets. Depreciation is computed by the straight line method at rates based the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Production and studio equipment	7 - 10 years
Furniture, equipment, and software	5 - 10 years
Leasehold improvements	10 years

Under the terms of the contract with the Lafayette City-Parish Consolidated Government, ownership of equipment acquired with funds derived from the contract reverts to the Lafayette City-Parish Consolidated Government upon termination of that contract.

G. Revenue and Expense Recognition

The Organization receives grants and contributions from various entities. Grant revenues are recognized only to the extent that related expenses have been incurred. Contributions are recognized when the donor makes a commitment to give to the Organization. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting. When a restriction expires, that is when a stipulated time restriction ends or purpose restrictions are accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

H. Compensated Absences

Vacation and sick leave are recorded as expenses of the period in which they are earned. Although sick leave is available for employees when needed, it does not vest nor is it payable at termination of employment. Annual vacation is earned by employees based on the number of years of employment. Current unused vacation and up to 40 hours of prior year unused vacation is payable upon retirement for all employees with the exception of the executive director, who will receive up to 25 days of unused vacation. At June 30, 2017, the accrued vacation leave amounted to \$9,374.

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Notes to Financial Statements (Continued)

I. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. However, the organization's tax-exempt status has no effect on its liability for any federal excise taxes. Accounting principles generally accepted in the United States of America require the organization's management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the organization, and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The organization is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2013.

J. Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services during the year. These donated services are not reflected in the statement of activities because the criteria for recognition under professional standards have not been satisfied.

K. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

L. Functional Allocation of Expenses

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

(2) Grants Receivable

Grants receivable consist of the following at June 30, 2017:

Lafayette City-Parish Consolidated Government	\$ 173,386
Cox Communications	<u>62,147</u>
	<u>\$ 235,533</u>

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(3) Prepaid Expenses

Prepaid expenses consist of the following at June 30, 2017:

Insurance	\$ 18,373
Software maintenance	<u>3,971</u>
	<u>\$ 22,344</u>

(4) Property and Equipment

Property and equipment consist of the following as of June 30, 2017:

Production and studio equipment	\$ 357,250
Furniture, equipment, and software	128,530
Leasehold improvements	<u>62,891</u>
Total property and equipment	548,671
Less: Accumulated depreciation	<u>(431,608)</u>
Property and equipment, net	<u>\$ 117,063</u>

Depreciation expense for the year ended June 30, 2017 was \$40,857.

(5) Net Assets Released from Restrictions

Details of net assets released from restrictions for the year ended June 30, 2017 is as follows:

Southern Film Festival	<u>\$ 35,235</u>
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(6) Temporarily Restricted Net Assets

The Organization acts as a fiscal agent for various events and workshops offered to the public. All receipts and disbursements for these activities are handled through the Organization's operating cash account. However, since these funds are restricted by legal contracts, the net assets generated from the events are considered temporarily restricted. As the funds are spent in accordance with the contracts, they are released and expensed in the unrestricted net asset activities on the statement of activities. Additionally, the Organization accumulates donations to be used for individuals who cannot afford the membership dues, which are considered to be temporarily restricted.

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Notes to Financial Statements (Continued)

Temporarily restricted net assets consist of the following at June 30, 2017:

Southern Film Festival	\$ 34,807
Membership Scholarship	<u>1,690</u>
	<u>\$ 36,497</u>

(7) Concentration of Credit Risk

The Organization maintains cash account balances and a certificate of deposit at financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017, the Organization's cash balances were fully secured and therefore, not exposed to custodial credit risk.

(8) Operating Leases

Effective July 1, 2010, the Organization entered into a lease with the Lafayette City-Parish Consolidated Government for 8,300 feet of office space in the Rosa Parks Transportation Center for an initial primary term of 10 years commencing July 1, 2010 with options for two additional terms of five years each. Future minimum lease payments due under the terms of the initial primary term are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 114,955
2019	114,955
2020	<u>114,955</u>
	<u>\$ 344,865</u>

Lease expense amounted to \$114,955 for the year ended June 30, 2017.

(9) Support and Revenue Sources/Concentrations

The Organization receives grants and contributions from various entities. The major revenue sources are grants received from contracts with the Lafayette City-Parish Consolidated Government, Lafayette Utilities System and Cox Communications. The Organization has contracted with the Lafayette City-Parish Consolidated Government to coordinate the use of public access channels for 35% of the receipts received by the Lafayette City-Parish Consolidated Government for franchise fees.

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Notes to Financial Statements (Continued)

Additionally, the Organization has contracts with Lafayette Utilities System and Cox Communications for \$50,066 and \$246,405, respectively. For the year ended June 30, 2017, approximately 95% of the Organization's revenue and other support were from these contracts. If these contracts are modified or cancelled, the impact on the Organization would be severe.

(10) Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit by grantor agencies, principally the Lafayette City-Parish Consolidated Government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expense which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

(11) Risk Management

The Organization is exposed to risks of loss in the areas of general liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year. Insurance settlements have not exceeded insurance coverage in any of the past three years.

(12) Board Member Compensation

The members of the board of directors of Organization serve on a voluntary basis and receive no form of compensation for those duties.

(13) Compensation, Benefits, and Other Payments to Agency Head

The schedule of compensation and benefits paid to Ed Bowie, Executive Director, for the year ended June 30, 2017 follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 92,711
Benefits - insurance	8,065

(14) Subsequent Event Review

The Organization's management has evaluated subsequent events through October 13, 2017, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services	Supporting Services			Total Expenses
	Direct Access Television	Management and General	Fundraising	Total Support Services	
Broadcast expense	\$ 11,631	\$ -	\$ -	\$ -	\$ 11,631
Consulting	17,143	4,286	-	4,286	21,429
Depreciation	34,729	6,128	-	6,128	40,857
Dues and subscriptions	5,962	662	-	662	6,624
Employee benefits	76,569	14,357	4,784	19,141	95,710
Events	35,234	-	-	-	35,234
Insurance	12,170	2,282	761	3,043	15,213
Interest expense	92	23	-	23	115
Marketing	1,344	-	71	71	1,415
Membership development	2,612	651	3,256	3,907	6,519
Other	1,328	201	67	268	1,596
Postage	270	67	336	403	673
Printing	1,946	405	889	1,294	3,240
Professional services	11,124	2,085	696	2,781	13,905
Project expenses	3,860	-	-	-	3,860
Promotions	3,334	-	176	176	3,510
Rent expense	91,964	17,244	5,747	22,991	114,955
Repairs and maintenance	31,350	5,878	1,959	7,837	39,187
Salaries and wages	360,719	67,635	22,545	90,179	450,898
Supplies	16,251	3,047	1,016	4,063	20,314
Telephone	8,018	1,502	501	2,003	10,021
Training	10,361	1,840	-	1,840	12,201
Travel expense	223	39	-	39	262
Utilities	16,939	3,176	1,059	4,235	21,174
Volunteer development	6,570	1,232	410	1,642	8,212
Total	<u>\$ 761,743</u>	<u>\$ 132,740</u>	<u>\$ 44,272</u>	<u>\$ 177,012</u>	<u>\$ 938,755</u>

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

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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*

* A Professional Accounting Corporation

To the Board of Directors
Acadiana Open Channel, Inc.
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Acadiana Open Channel, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Acadiana Open Channel, 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 Acadiana Open Channel, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Acadiana Open Channel, 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*.

Acadiana Open Channel, Inc.'s Response to Findings

The Acadiana Open Channel, Inc.'s response to the finding identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 suited 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.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 13, 2017

ACADIANA OPEN CHANNEL, INC.
Lafayette, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
June 30, 2017

Fiscal Year	Finding	Corrective	Name of	Anticipated
Ref. No.	Initially Occurred	Action Taken	Contact Person	Completion Date
Description of Finding	Corrective Action Planned			
CURRENT YEAR (6/30/17) --				
<u>Internal Control:</u>				
2017-001	2007	N/A	N/A	N/A
Due to the small number of employees, the Organization did not have adequate segregation of functions within the accounting system. Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	Management is aware of the weakness relative to segregation of duties which is a result of the small staff required to administer the Organization's operations. Adding staff is not an economically viable solution, and therefore, management shall continue to monitor payroll and disbursements as well as regularly review financial statements and budget performance.			
<u>Compliance:</u>				
There were no compliance findings.				
PRIOR YEAR (6/30/16) --				
<u>Internal Control:</u>				
2016-001	2007	N/A	N/A	N/A
Due to the small number of employees, the Organization did not have adequate segregation of functions within the accounting system. Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	Management is aware of the weakness relative to segregation of duties which is a result of the small staff required to administer the Organization's operations. Adding staff is not an economically viable solution, and therefore, management shall continue to monitor payroll and disbursements as well as regularly review financial statements and budget performance.			
<u>Compliance:</u>				
There were no compliance findings.				

ACADIANA OPEN CHANNEL, INC.

Agreed-Upon Procedures Report

Year Ended June 30, 2017

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

* A Professional Accounting Corporation

Retired:
Conrad O. Chapman, CPA* 2006

To the Board of Directors of
Acadiana Open Channel, Inc. and
the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the management of Acadiana Open Channel, Inc. (a nonprofit organization) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Acadiana Open Channel's compliance with certain laws, regulations and best practices during the year ended June 30, 2017. Management of Acadiana Open Channel is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

The Organization's policy did not include written procedures on the preparation, adoption, and monitoring of 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.

The Organization's policy did not include written procedures on (1) how purchases are initiated; (2) controls to ensure compliance with the public bid law; or (3) documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving
There were no exceptions noted as a result of applying this procedure.
- d) **Receipts**, including receiving, recording, and preparing deposits
There were no exceptions noted as a result of applying this procedure.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
There were no written procedures for payroll/personnel.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
There were no written procedures for contracting.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
There were no written procedures for credit cards.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
The Organization's travel and expense reimbursement written policy only included the approved mileage reimbursement rate.
- 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.
Ethics requirements are not applicable to nonprofit organizations.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Debt service requirements are not applicable to nonprofit organizations.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
The minutes of the managing board for the fiscal period were obtained and reviewed noting that the board met in accordance with their bylaws.
 - 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).
The minutes of the managing board for the fiscal period were obtained and reviewed noting that the minutes did include monthly budget-to-actual comparisons for the major funds.

- 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.

The minutes of the managing board for the fiscal period were obtained and reviewed noting that budget to actual comparisons did not show deficit spending.

- 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.

There were no exceptions noted as a result of applying this procedure.

Bank Reconciliations

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

A listing of client bank accounts and management's representation that the listing is complete was obtained.

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

- a) Bank reconciliations have been prepared;

Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting that reconciliations have been prepared for all months.

- 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

Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting there was no evidence of management's review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting there were no reconciling items that had been outstanding for more than 6 months on the accounts selected.

Collections

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

A listing of cash collection locations and management's representation that the listing is complete was obtained.

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

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Staff members responsible for collecting cash are bonded and are responsible for depositing cash in the bank. Staff members responsible for collecting cash are responsible for recording transactions and reconciling bank statements. Staff members responsible for collecting cash are not required to share a drawer with another person.

- 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.

Written documentation was obtained from management, noting the person responsible for cash collections is also responsible for recording deposits into the general ledger.

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

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Of the 15 receipts tested, 7 were deposited within 2 days and 8 were deposited within 1 day.

- 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.

There were no exceptions noted as a result of applying this procedure.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

There was no written process to determine the completeness of all collections by a person not responsible for collection.

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

A listing of disbursements and management's representation that the listing is complete was obtained.

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

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The Organization does not have a written policy requiring the use of purchase orders.

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

The Organization does not have a written policy requiring the use of purchase orders.

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

The Organization does not have a written policy requiring the use of purchase orders.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The Organization's written procedures does not prevent the person responsible for processing payments from adding vendors to the entity's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Written documentation was obtained from management, noting the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Checks are electronically printed on blank check stock. Written documentation was obtained from management, noting the persons with signatory authority do not have access to print checks.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The entity does not use signature stamps or a signature machine.

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

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

A listing of active credit cards, bank debit cards, fuel cards and the name of the person who maintains possession of the cards and management's representation that the listing is complete was obtained.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

The Organization has one credit card which was selected for testing.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Monthly statements were obtained noting evidence that the statements and supporting documentation were reviewed and approved by someone other than the authorized card holder.

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

Monthly statements were obtained noting no evidence that finance charges or late fees were not assessed on the selected statements.

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

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

There were no exceptions noted as a result of applying this procedure.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Of the 19 purchases tested, 3 purchases were for meals and there was no documentation of the individuals participating.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

There were no written procedures for credit cards.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Written documentation was obtained, noting no exceptions to Louisiana Public Bid Law.

- 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.

Of the 19 purchases tested, 3 purchases were for meals and there was no documentation of the individuals participating.

Travel and Expense Reimbursement

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

A listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained.

- 18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Written documentation was obtained from management, noting mileage reimbursements are paid in accordance with the Louisiana State Travel Policy Guidelines.

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

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

No exceptions were noted as a result of applying this procedure.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions were noted as a result of applying this procedure.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions were noted as a result of applying this procedure.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions were noted as a result of applying this procedure.

- 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.

No exceptions were noted as a result of applying this procedure.

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

The Executive Director of the Organization approved his mileage reimbursement request.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

A listing of all contracts in effect during the fiscal period and management's representation that the listing is complete was obtained.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

For the vendors selected, formal/written contracts supporting the services arrangement and the amount paid were noted.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Contracts selected for testing were not subject to the Louisiana Public Bid Law or Procurement Code.

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

The Organization did not solicit 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.

None of the contracts selected were amended.

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

No exceptions were noted as a result of applying this procedure.

- 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).

No exceptions were noted as a result of applying this procedure.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

A listing of employees with their related salaries and management's representation that the listing is complete was obtained. Five employees were randomly selected and their personnel files were obtained.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions were noted as a result of applying this procedure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exceptions were noted as a result of applying this procedure.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions were noted as a result of applying this procedure.

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

No exceptions were noted as a result of applying this procedure.

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

No exceptions were noted as a result of applying this procedure.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions were noted as a result of applying this procedure.

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

No exceptions were noted as a result of applying this procedure.

Ethics (excluding nonprofits)

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

Ethics requirements are not applicable to nonprofit organizations.

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

Ethics requirements are not applicable to nonprofit organizations.

Debt Service (excluding nonprofits)

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

Debt service requirements are not applicable to nonprofit organizations.

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

Debt service requirements are not applicable to nonprofit organizations

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

Debt service requirements are not applicable to nonprofit organizations.

Other

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

Management has asserted that the entity did not have any misappropriations of public funds or assets.

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

Required notices were posted on the entity's premises but not on their website.

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

No exceptions were noted as a result of applying this procedure.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Acadiana Open Channel, Inc. and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 13, 2017