

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
HIV/AIDS Alliance for Region Two, Inc.
Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HIV/AIDS Alliance for Region Two, Inc. (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2017 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HIV/AIDS Alliance for Region Two, 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 consolidated financial statements as a whole. 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* and the Schedule of Compensation, Benefits, and Other Payments to the CEO, is presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

The Statewide Agreed Upon Procedures are not a required part of the basic financial statements but is supplementary information required by Louisiana State Law. 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. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed Upon Procedures. However we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018 on our consideration of HIV/AIDS Alliance for Region Two, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 HIV/AIDS Alliance for Region Two, Inc.'s internal control over financial reporting and compliance.



Daigrepoint & Brian, APAC
Baton Rouge, LA

June 20, 2018

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets

| | |
|--------------------------|------------------|
| Cash | \$ 2,275,438 |
| Accounts receivable, net | 5,653,211 |
| Prepaid expenses | 114,754 |
| Total Current Assets | <u>8,043,403</u> |

| | |
|-----------------------------|------------------|
| Property and Equipment, net | <u>1,925,289</u> |
|-----------------------------|------------------|

| | |
|--------------|----------------------------|
| Total Assets | <u><u>\$ 9,968,692</u></u> |
|--------------|----------------------------|

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|-----------------------------------|----------------|
| Accounts payable | \$ 466,320 |
| Current portion of long term debt | 31,128 |
| Accrued expenses | 483,572 |
| Tenant deposits | 3,350 |
| Total Current Liabilities | <u>984,370</u> |

| | |
|----------------|--------|
| Long Term Debt | 92,431 |
|----------------|--------|

| | |
|-------------------------|------------------|
| Unrestricted Net Assets | <u>8,891,891</u> |
|-------------------------|------------------|

| | |
|----------------------------------|----------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 9,968,692</u></u> |
|----------------------------------|----------------------------|

See accompanying notes and independent auditors' report.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDING DECEMBER 31, 2017**

REVENUES

| | |
|----------------------|---------------|
| Governmental grants | \$ 16,507,280 |
| 340B drug program | 5,952,367 |
| Fees for services | 1,551,577 |
| Housing income | 63,368 |
| Contributions | 16,927 |
| Fundraising revenues | 21,165 |
| Other income | 48,358 |
| | <hr/> |
| Total Revenues | 24,161,042 |
| | <hr/> |

EXPENSES

| | |
|-----------------------------------|------------|
| Program expenses | |
| 340B drug program | 3,868,758 |
| Housing and supportive services | 2,274,052 |
| Prevention and education services | 485,193 |
| Health insurance program | 12,148,505 |
| Medical services | 4,100,174 |
| General and administrative | 2,683,028 |
| | <hr/> |
| Total Expenses | 25,559,710 |

| | |
|--------------------------------|---------------------|
| CHANGE IN NET ASSETS | (1,398,668) |
| Net assets - beginning of year | 10,290,559 |
| Net assets - end of year | <u>\$ 8,891,891</u> |

See accompanying notes and independent auditors' report.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDING DECEMBER 31, 2017

| | 340B Drug Program | Housing & Supportive Services | Prevention & Education Services | Health Insurance Program | Medical Services | General & Administrative | Total |
|--------------------------------|----------------------|-------------------------------------|---------------------------------------|--------------------------------|---------------------|-----------------------------|----------------------|
| Depreciation | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 256,999 | \$ 256,999 |
| Direct assistance and programs | 3,866,617 | 1,209,803 | 75,363 | 11,608,289 | 84,643 | 3,182 | 16,847,897 |
| Employee benefits | - | 83,317 | 43,308 | 53,780 | 181,874 | 69,179 | 431,458 |
| Events and fundraising | - | - | 2,250 | 5 | 5,817 | 14,415 | 22,487 |
| Facility and equipment expense | - | 3,666 | 3,748 | 6,398 | 32,860 | 21,871 | 68,543 |
| General operating expense | 1,017 | 48,580 | 32,414 | 48,546 | 464,878 | 436,049 | 1,031,484 |
| Payroll taxes | - | 57,962 | 19,247 | 26,370 | 146,523 | 132,361 | 382,463 |
| Professional services | 1,124 | 2,842 | - | - | 246,416 | 115,332 | 365,714 |
| Rent | - | 26,876 | 25,799 | 28,010 | 403,667 | 146,309 | 630,661 |
| Salaries and wages | - | 836,748 | 265,300 | 375,541 | 2,178,457 | 1,487,331 | 5,143,377 |
| Write-offs | - | 4,258 | 17,764 | 1,566 | 355,039 | - | 378,627 |
| Total expenses | <u>\$ 3,868,758</u> | <u>\$ 2,274,052</u> | <u>\$ 485,193</u> | <u>\$ 12,148,505</u> | <u>\$ 4,100,174</u> | <u>\$ 2,683,028</u> | <u>\$ 25,559,710</u> |

See accompanying notes and independent auditors' report.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------------|
| Change in net assets | \$ (1,398,668) |
| <u>Adjustments to reconcile net revenues over expenses to net cash provided by operating activities:</u> | |
| Depreciation | 256,999 |
| Change in allowance for doubtful accounts | (575,556) |
| Decrease in accounts receivable | 895,603 |
| Decrease in certificates of deposit | 100,040 |
| Increase in prepaid expenses | (3,373) |
| Decrease in accounts payable | (232,044) |
| Increase in other liabilities | 107,427 |
| Total adjustments | <u>549,096</u> |
| Net cash used by operating activities | <u>(849,572)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---------------------------------------|------------------|
| Purchase of capital assets | <u>(160,519)</u> |
| Net cash used by investing activities | <u>(160,519)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---------------------------------------|-----------------|
| Draws on line of credit | 2,416,073 |
| Payments on line of credit | (2,416,073) |
| Principal payments on long term debt | <u>(29,767)</u> |
| Net cash used by financing activities | <u>(29,767)</u> |

DECREASE IN CASH (1,039,858)

CASH, BEGINNING OF YEAR 3,315,296

CASH, END OF YEAR \$ 2,275,438

SUPPLEMENTAL DISCLOSURE

| | |
|------------------------|-----------------|
| Cash paid for interest | <u>\$ 9,882</u> |
|------------------------|-----------------|

See accompanying notes and independent auditors' report.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

A. SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

HIV/AIDS Alliance for Region Two, Inc. (HAART) is a Louisiana community-based 501(c)3 non-profit, incorporated on February 16, 1995, for the purpose of responding to the threat of the HIV (Human Immunodeficiency Virus) and AIDS (Acquired Immune Deficiency Syndrome) diseases existing in Louisiana, through the development of educational programs, support services, assistance, and financial development. In furtherance of those purposes, the corporation is authorized, but not limited to, purchasing and acquiring property, receiving and administering donations of money, property, or other things of value, rendering charitable assistance to individuals living with, or at risk of acquiring, HIV infection or AIDS or educational work related to the HIV or AIDS threat.

Medical Services

The agency has a wholly-owned subsidiary, Caring Clinic of Louisiana, chartered in Louisiana in 2007 as a Limited Liability Company (LLC). Results of operations from both entities are reported on a consolidated basis in these statements and a consolidated Form 990 is reported annually to IRS. The entities have separate Employer Tax Identification numbers. Medical services under the name of Caring Clinic were discontinued in 2017 with the closure of the Marrero, Louisiana site, although the LLC remains active and in good standing with the Louisiana Secretary of State's office.

In 2015, HAART was designated through the Bureau of Primary Health Care as a Federally Qualified Health Center (FQHC), under Section 330(e) of the U.S. Public Health Act, Community Health Centers. The designation comes with annual grant funding in order to ensure access to primary care, oral health and behavioral health services to low-income and un- and under-insured persons and families residing in the East Baton Rouge parish zip codes of 70802, 70805, 70806, 70812, 70814, 70815, and 70817. This FQHC is operated under the name Open Health Clinic and is a replacement for the former Caring Clinic of Louisiana.

Ryan White Part A funding enables primary care services through the Open Health Clinic for uninsured HIV positive persons and Early Intervention Services for those who are newly diagnosed or returning to care. As a federally qualified health center Open Health is required to provide care to all comers, not just those with HIV disease, from birth to death regardless of ability to pay. The organization is required to provide primary care for adults and children, dental services and behavioral health care services.

340B Drug Program

HAART and Caring Clinic of Louisiana are both registered as eligible entities in the 340B Drug Pricing Program, administered by HHS/HRSA's Office of Pharmacy Affairs, and employs two contract pharmacies to manage and dispense medications to eligible patients. The medications are available for purchase at a discounted price, resulting in net revenue to the entities based on these savings.

Prevention and Education Services

HAART provides HIV Counseling, Testing and Referral (CTR) services, prevention materials availability and evidence-based interventions with funding from CDC received through the state health department. State funds also support a Wellness Center targeting persons needing testing and treatment for sexually-transmitted infections (STI's) and Pre- and Post-Exposure Prophylaxis (PrEP and PEP) to prevent contracting HIV disease.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

A. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Housing and Supportive Services

HAART receives two types of grant funding from the Department of Housing and Urban Development (HUD). They are 1) Housing Opportunities for People with AIDS (HOPWA), funded through the City-Parish of East Baton Rouge, and 2) Supportive Housing Program (SHP), funded directly by HUD and coordinated through the Louisiana Housing Corporation. The HOPWA grant funds are used to prevent homelessness among persons with AIDS and are used for Project-based and Tenant-based housing assistance, Acquisition and Rehabilitation and Supportive Services. SHP funds are used to assist homeless persons including special populations and the chronically homeless. HAART has two SHP grants which are used for permanent housing assistance and supportive services to help ensure clients remain housed in order to thrive.

HAART has used HOPWA and Neighborhood Stabilization Program (NSP) funds for the acquisition of land and buildings, reflected on the balance sheet net of depreciation, consisting of eight single family homes and a ten-unit apartment complex.

HAART also receives Ryan White Part A funding which is used to provide non-medical case management, pharmaceutical assistance, medical transportation, and other services. This program is administered in the nine-parish Metropolitan Statistical Area (MSA) by the City-Parish of East Baton Rouge's Department of Human and Developmental Services.

Health Insurance Program

HAART's largest grant funded contract is to administer a Ryan White Part B funded program for the state's health department. The program assists persons statewide who are living with HIV by purchasing health insurance policies to cover their cost of care and also assists with patient responsibility cost-shares associated with the insurance coverage.

Basis of Accounting

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

Financial Statement Presentation

The financial statements are presented on a consolidated basis with the Caring Clinic of Louisiana, LLC (Clinic), a wholly owned subsidiary of HAART, being consolidated. The Clinic is a single-member LLC with HAART, the corporation, serving as the single member. HAART eliminates all intra-entity balances and transactions and eliminates any gain or losses on transactions among the entities in accordance with FASB ASC 810-10-45-1.

Estimates

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

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

A. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, HAART considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

HAART extends credit to patients and third parties in the normal course of business. Accounts receivable arising from grants are recorded at their net realizable value while accounts receivable from patient service fees are recorded at their original amount less contractual adjustments and an allowance for doubtful accounts. This allowance is based on management's estimates, historical experience and a review of all outstanding amounts on an ongoing basis. For the year ended December 31, 2017 the allowance for doubtful accounts was \$650,909. Receivables are written off when deemed uncollectible by management and recoveries, if any, are recorded when received.

Net Assets

HAART reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are described as follows:

Unrestricted Net Assets are net assets that are not subject to donor-imposed stipulations and are available for use at the organization's discretion.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or 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 are net assets subject to donor-imposed stipulations that the organization maintain the contribution permanently. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

HAART does not have any temporarily or permanently restricted net assets for the years ended December 31, 2017.

Revenue Recognition

Revenue from grants and contracts are recognized according to the specific agreement. Generally, revenues from grants are recognized in the period of the grant award while revenues from cost reimbursement contracts are recognized to the extent of services provided.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2017

A. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax-exempt Status

HAART is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

HAART follows the provisions of FASB ASC 740-10, Accounting for uncertainty in Income Taxes. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits. HAART's open audit periods are 2014 through 2016.

Functional Expenses

HAART allocates its expenses on a functional basis between program service or management and general. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

Advertising

HAART follows the policy of charging the costs of advertising to expense as incurred. Advertising expense amounted to \$136,614 for the year ended December 31, 2017.

B. PROPERTY

Property and equipment is presented in the financial statements at cost less allowances for depreciation. Depreciation is computed using the straight-line method and is provided over the estimated useful lives of assets which ranges from 3 to 27.5 years.

Property and equipment, related service lives, and accumulated depreciation as of December 31, 2017 are as follows:

| | <u>Estimated Service Lives</u> | <u>2017</u> |
|--------------------------|--------------------------------|---------------------|
| Machinery and equipment | 5-7 years | \$ 352,420 |
| Furniture and fixtures | 5-7 years | 306,512 |
| Automobiles | 5 years | 9,002 |
| Buildings | 27.5 years | 1,679,767 |
| Software | 3 years | 112,858 |
| Leasehold improvements | 15 years | <u>217,867</u> |
| | | 2,678,426 |
| Accumulated depreciation | | <u>(753,137)</u> |
| | | <u>\$ 1,925,289</u> |

Depreciation expense was \$256,999 for the year ended December 31, 2017.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

C. NOTES PAYABLE

Notes payable consists of a 4.19% note payable in 72 monthly installments of \$2,975, secured by a building, and maturing October 2021.

Maturities of long-term debt for the years succeeding December 31, 2017, are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2018 | \$ 31,128 |
| 2019 | 32,458 |
| 2020 | 33,844 |
| 2021 | <u>26,129</u> |
| | <u>\$ 123,559</u> |

Interest paid on this loan for the year ended December 31, 2017 was \$5,936.

HAART also has a line of credit with a regional financial institution for \$1,500,000 at a variable rate, currently 4.565%, which matures in 2018. No balance was due as of December 31, 2017.

D. NET ASSETS

The Board of Directors designated \$215,000 in 2009 to use for expenditures of non-reimbursed direct client assistance. The net expense related to this purpose amounted to \$8,308 during the year ended December 31, 2017. The balance of this fund was \$8,614 as of December 31, 2017.

E. OPERATING LEASES

HAART currently leases space on a month-to-month basis for its primary administrative office location at 4550/4560 North Blvd in Baton Rouge, LA.

HAART also leases various machinery and equipment on a month-to-month basis in the ordinary course of business.

Long term operating leases which subject HAART to future minimum payments include a medical clinic located at 3801 North Blvd in Baton Rouge, LA. This lease began on October 1, 2016 and is scheduled to terminate on September 30, 2021. Future minimum lease payments under this lease are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2018 | \$ 389,781 |
| 2019 | 401,472 |
| 2020 | 413,514 |
| 2021 | 317,061 |

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

E. OPERATING LEASES (Continued)

Lease expense for the various offices, clinics, and equipment for the year ended December 31, 2017 amounted to \$630,661.

F. ECONOMIC DEPENDENCY

HAART derives the majority of its revenues from governmental sources as earned revenue or grants, the loss of which would have a material adverse effect on HAART. During the year ended December 31, 2017 revenue derived from governmental sources accounted for 68% of total revenue.

G. CONCENTRATION OF CREDIT RISK

Financial instruments which subject HAART to concentrations of credit risk consist of cash deposits held with local banks. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. HAART maintains cash in local and regional financial institutions which often exceed the FDIC limits. Management does not believe that it is exposed to any significant credit risk on uninsured amounts.

Concentrations of revenues and receivables greater than or equal to 10% for the year ended December 31, 2017 is as follows:

| | <u>Revenue</u> | <u>Receivables</u> |
|--------------------------|----------------|--------------------|
| Health Insurance Program | 53% | 52% |
| 340B Drug Program | 25% | N/A |
| HOPWA | N/A | 15% |

H. CONTINGENCIES

Grants

HAART receives federal and state contracts for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the agency for expenditures disallowed under terms of the contract. It is the opinion of management that HAART's compliance with the terms of contracts will result in negligible, if any, disallowed costs.

Risk Management

From time to time various claims arise in the normal course of HAART's business. Management is not aware of any pending claims or losses that would have a material effect on the operations or financial position of HAART.

I. PAID TIME OFF

Paid time off was earned at varying rates from two to six weeks per year depending on length of service. A maximum of six weeks paid time off could be carried over at each employee's anniversary date. The amount accrued for paid time off at December 31, 2017 is \$190,886.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

J. PENSION PLAN

HAART has adopted a 401(k) retirement plan with no matching option. Under the provisions of the plan, employees may elect to defer a percentage of their compensation up to a maximum amount established by the IRS. Salary deferrals and the related earnings are 100% vested and non-forfeitable.

These assets are held in the trust fund established under the Plan; the trust fund is independent of HAART. The responsibility for administration of the Plan is with LPL Financial.

K. SUBSEQUENT EVENTS

In preparing these financial statements, HAART has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Passed Through to Subrecipients</u> | <u>Total Federal Expenditures</u> |
|---|------------------------------------|---|--|---|
| U.S. Department of Health and Human Services | | | | |
| Health Center Program | 93.224 | N/A | - | \$ 1,241,732 |
| Louisiana Department of Health | | | | |
| HIV Care Formula Grants - Ryan White Part B | 93.917 | 61274 | - | 12,763,885 |
| HIV Prevention Activities-Health Department Based Care and Prevention in the United States (CAPUS) | 93.940 | 61192 | - | 225,543 |
| STD/HIV Program - Wellness | 93.940 | 60587 | - | 35,512 |
| STD/HIV Program - Testing | 93.940 | 60611 | - | 70,472 |
| City of Baton Rouge/Parish of East Baton Rouge | | | | |
| HIV Emergency Relief Grant Program - Ryan White Part A | 93.914 | PO170705 | - | 1,057,617 |
| HIV Emergency Relief Grant Program - Ryan White Part A MAI | 93.914 | PO170706 | - | 57,757 |
| Louisiana Public Health Institute | | | | |
| Community Programs to Improve Minority Health Grant Program | 93.137 | 61419 | - | 15,269 |
| Total U.S. Department of Health and Human Services | | | - | 15,467,787 |
| U.S. Department of Housing and Urban Development | | | | |
| City of Baton Rouge/Parish of East Baton Rouge | | | | |
| Supportive Housing Program | 14.235 | N/A | - | 258,271 |
| Housing Opportunities for Persons with AIDS (HOPWA) | 14.241 | 800000885 | - | 781,222 |
| Total U.S. Department of Housing and Urban Development | | | - | 1,039,493 |
| Total Expenditures of Federal Awards | | | <u>\$ -</u> | <u>\$ 16,507,280</u> |

See accompanying notes to schedule of expenditures of federal awards.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of HIV/AIDS Alliance for Region Two, Inc. (HAART) 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 the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of HAART, it is not intended to and does not present the financial position, changes in net assets, or cash flows of HAART.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

HAART is reimbursed for actual costs incurred and does not apply an indirect cost rate.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO CEO FROM PUBLIC FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Chief Executive Officer: Timothy Young

| | |
|--------------------------|-------------------|
| <i>Annual Salary</i> | \$ 165,000 |
| Redeemed PTO | 14,249 |
| Board-Approved Retro Pay | 8,445 |
| Health Insurance | 5,296 |
| Expense Reimbursements | 3,443 |
| Authorized Travel | 11,255 |
| | <u>\$ 207,688</u> |

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

To the Board of Directors
HIV/AIDS Alliance for Region Two, Inc.
Baton Rouge, LA

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 HIV/AIDS Alliance for Region Two, Inc., (a non-profit organization) which comprise the consolidated statement of financial position as of December 31, 2017 and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 20, 2018

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered HIV/AIDS Alliance for Region Two 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of HIV/AIDS Alliance for Region Two, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. 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 HIV/AIDS Alliance for Region Two, Inc.'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document. This report is intended solely for the information and use of the audit committee, management, others within the organization, the Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Daigrepoint & Brian, APAC
Baton Rouge, LA

June 20, 2018

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

To the Board of Directors
HIV/AIDS Alliance for Region Two, Inc.
Baton Rouge, LA

Report on Compliance for Each Major Federal Program

We have audited HIV/AIDS Alliance for Region Two, Inc.'s (HAART) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of HAART's major federal programs for the year ended December 31, 2017. HAART's major federal programs are identified in the summary of auditors' 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 HAART'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 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 HAART'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 on HAART's compliance.

Opinion on Each Major Federal Program

In our opinion HAART complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of HAART 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 HAART'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 our opinion on compliance for each major 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 HAART's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepoint & Brian, APAC
Baton Rouge, LA

June 20, 2018

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

We have audited the consolidated financial statements of HIV/AIDS Alliance for Region Two, Inc., as of December 31, 2017, and for the year then ended, and have issued our report thereon dated June 20, 2018. 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 and the provisions of the Uniform Guidance. Our audit of the consolidated financial statements as of December 31, 2017 resulted in an unmodified opinion.

Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

| | | | | |
|--------------------------|-----|-------|----|----------------|
| Material Weaknesses | Yes | _____ | No | _____ <u>X</u> |
| Significant Deficiencies | Yes | _____ | No | _____ <u>X</u> |

Compliance

| | | | | |
|---|-----|-------|----|----------------|
| Compliance Material to Financial Statements | Yes | _____ | No | _____ <u>X</u> |
|---|-----|-------|----|----------------|

B. Federal Awards

Internal Control

| | | | | |
|--------------------------|-----|-------|----|----------------|
| Material Weaknesses | Yes | _____ | No | _____ <u>X</u> |
| Significant Deficiencies | Yes | _____ | No | _____ <u>X</u> |

| | | | | |
|--|------------|--|--|--|
| Type of Opinion on Compliance for Major Programs | Unmodified | | | |
|--|------------|--|--|--|

| | | | | |
|--|-----|-------|----|----------------|
| Are there findings required to be reported in accordance with the Uniform Guidance | Yes | _____ | No | _____ <u>X</u> |
|--|-----|-------|----|----------------|

| | | | | |
|--------------------------------------|-----|-------|----|----------------|
| Was there a management letter issued | Yes | _____ | No | _____ <u>X</u> |
|--------------------------------------|-----|-------|----|----------------|

C. Identification of Major Programs

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|---|
| 93.917 | HIV Care Formula Grants - Ryan White Part B |
| 14.241 | Housing Opportunities for Persons with AIDS |

| | |
|---|------------|
| Dollar threshold used to distinguish between Type A and Type B programs | \$ 750,000 |
|---|------------|

| | | | | |
|--|-----|----------------|----|-------|
| Is the auditee a 'low risk' auditee as defined by the Uniform Guidance | Yes | _____ <u>X</u> | No | _____ |
|--|-----|----------------|----|-------|

Findings - Financial Statement Audit

2017-1 - System Backups

Condition: It was noted that the most recent system backups had failed to be completed at both the accounting office and the health clinic.

Cause: Backups failed to be completed due to deficiencies in the backup process and lack of oversight by the IT department.

Effect: Due to the failures in the backup process proper system backups were not being performed on a timely basis. The failure in the system backup was noticed during our audit procedures and discussions with management. It is not known if these failures occurred during the year ended December 31, 2017.

Criteria: System backups should be routinely performed to preserve accounting and other sensitive data in the event of server or other failure.

Recommendation: We recommend management review its policies and procedures related to IT and system backups to ensure backups are being performed and completed.

Management Response: Management had already identified this deficiency and has moved to outsourcing the IT function, including system backups, to an outside entity and has developed procedures to monitor these services.

Questioned Costs

There are no questioned costs for the year ended December 31, 2017.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Summary of Prior Audit Findings

There were no prior year audit findings.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
HIV/AIDS Alliance for Region Two, Inc.
Baton Rouge, LA

We have performed the procedures enumerated below, which were agreed to by the management of HIV/AIDS Alliance for Region Two, Inc. (HAART) 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 year ended December 31, 2017. The Organization's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: The organization's policies and procedures address each of the categories and subcategories as noted above with the exception of budgeting. Note that HAART is a nonprofit organization so Ethics and Debt Service is not applicable.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Results: Our review of the board/finance committee minutes noted no exceptions in the procedures noted above.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Results: No exceptions noted as a result of applying this procedure.

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

Results: Management informed us that bank reconciliations were reviewed by the controller but did not have written evidence.

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

Results: Three out of five bank reconciliations tested had outstanding items for more than 12 months from the statement closing date. Management was able to provide documentation supporting that all these items have been researched except for one bank account.

Collections

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

Results: No exceptions noted as a result of applying this procedure.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: No exceptions noted as a result of applying this procedure.

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

Results: No exceptions noted as a result of applying this procedure.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when*

selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: Management was not able to provide documentation for one out of the ten samples selected pertaining to 7a–7d. No other exceptions noted.

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

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

Results: No exceptions noted as a result of applying this procedure.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions noted as a result of applying this procedure.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions noted as a result of applying this procedure.

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

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

Results: No exceptions noted as a result of applying this procedure.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: Finance charges and/or late fees were assessed on three of the five selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results: No exceptions noted as a result of applying this procedure.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

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

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted as a result of applying this procedure.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions noted as a result of applying this procedure.

Payroll and Personnel

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

Results: No exceptions noted as a result of applying this procedure.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions noted as a result of applying this procedure.

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

Results: No exceptions noted as a result of applying this procedure.

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

Results: No exceptions noted as a result of applying this procedure.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: Procedure is not applicable to entity. However, the board of directors took the same courses as governmental boards and elected officials.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: Procedure is not applicable to this entity.

Other

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

Results: No misappropriations noted.

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

Results: No exceptions noted as a result of applying this procedure.

Management's Response: We have reviewed this independent accountant's report on applying agreed-upon procedures and agrees with the exceptions noted. We will review our policies and procedures and update accordingly to include the best practices suggested by the Louisiana Legislative Auditor.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in black ink that reads "Daigrepoint & Brian APAC". The signature is written in a cursive, flowing style.

Daigrepoint & Brian, APAC
Baton Rouge, LA

June 20, 2018