

BETTER CHOICE FOUNDATION, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Better Choice Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the **Better Choice Foundation, Inc. (the Foundation)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Better Choice Foundation, Inc.

Auditors' Responsibility, Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 **the Foundation** as of June 30, 2018, 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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Better Choice Foundation, Inc.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Also, the accompanying Schedule of Compensation, Benefits and Other Payments to the Principal is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Better Choice Foundation, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, on our consideration of **the Foundation's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the Foundation's** internal control over financial reporting and compliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 26, 2019

BETTER CHOICE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Cash (NOTES 1 and 7)	\$ 1,599,861
Cash held for others (NOTES 1, 3 and 7)	44,423
Grants receivable (NOTE 4)	233,634
Prepaid expenses	<u>42,794</u>
 Total assets	 <u><u>\$ 1,920,712</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 218,951
Accrued liabilities	173,680
School activity funds (NOTE 3)	44,423
Due to funding agency	<u>60,111</u>
 Total liabilities	 <u>497,165</u>
 Net Assets:	
Unrestricted (NOTE 1)	<u>1,423,547</u>
 Total net assets	 <u>1,423,547</u>
 Total liabilities and net assets	 <u><u>\$ 1,920,712</u></u>

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

BETTER CHOICE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

REVENUES

Local sources	
Minimum Foundation Program (NOTES 1 and 9)	\$ 3,382,639
Contributions	5,000
Interest	2,700
Other	<u>17,143</u>
Total local sources	<u>3,407,482</u>
State sources	
Minimum Foundation Program (NOTES 1 and 9)	2,404,638
Grant	<u>11,916</u>
Total state sources	<u>2,416,554</u>
Federal grants (NOTE 1)	<u>1,078,550</u>
Total revenues	<u>6,902,586</u>

EXPENSES

Program services	3,941,735
Supporting services	<u>3,341,975</u>
Total expenses	<u>7,283,710</u>
Change in net assets	(381,124)
Net assets, beginning of year	<u>1,804,671</u>
Net assets, end of year	<u><u>\$ 1,423,547</u></u>

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

BETTER CHOICE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (381,124)
Changes in assets and liabilities:	
Decrease in grants receivable	201,222
Increase in prepaid expense	(2,402)
Increase in accounts payable	76,294
Decrease in accrued liabilities	(114,041)
Decrease in school activity funds	(45,116)
Net cash used in operating activities	<u>(265,167)</u>
 Decrease in cash	 (265,167)
 Cash, beginning of year	 <u>1,909,451</u>
 Cash, end of year	 <u><u>\$ 1,644,284</u></u>

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

BETTER CHOICE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	
	<u>Instruction</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 2,964,414	\$ 928,157	\$ 3,892,571
Employee health insurance and retirement	311,756	98,449	410,205
Payroll taxes	210,493	66,472	276,965
Total salaries and wages, and fringe benefits	3,486,663	1,093,078	4,579,741
Purchased professional and technical services	233,876	438,805	672,681
Purchased property services	7,496	248,589	256,085
Student transportation services	-	598,277	598,277
Insurance	-	134,562	134,562
Communications	-	29,410	29,410
Food service management	-	348,929	348,929
Other purchased services	-	41,984	41,984
Supplies	213,700	197,393	411,093
Utilities	-	131,717	131,717
State MFP fees	-	67,008	67,008
Miscellaneous	-	12,223	12,223
Total expenses	<u>\$ 3,941,735</u>	<u>\$ 3,341,975</u>	<u>\$ 7,283,710</u>

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

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

The **Better Choice Foundation, Inc. (the Foundation)** was awarded a Type 5 charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2013 to operate a public charter school d/b/a Mary D. Coghill Accelerated Charter School (Coghill). The charter for Coghill was approved for an initial three (3) year period and subject to renewal following the end of the initial operating period. On June 22, 2016, BESE approved the transfer of Coghill from the jurisdiction of the Louisiana Recovery School District to Orleans Parish School Board (OPSB) as a Type 3B charter school, with independent Local Education Agency status. The effective date of the transfer is July 1, 2016 and expires June 30, 2020, unless terminated or extended pursuant to the terms of the transfer agreement between **the Foundation** and OPSB, dated July 1, 2016.

The Foundation seeks to provide education services according to the educational standards established by law, the charter contract and the charter proposal; measures pupil progress toward stated goals; and participates in pupil assessments as required by law, regulation and BESE policy.

The mission of **the Foundation** is to educate, empower and motivate underprivileged children within Orleans Parish to be future leaders by infusing the latest technological resources while creating an educational environment that fosters academic excellence, encourages social competence and challenges young minds to exceed the highest levels of educational expectations in every academic field.

During the 2017-2018 school year, **the Foundation** provided educational services to students in kindergarten through eighth grades, with a total enrollment at Coghill of 664.

Basis of Accounting

The Foundation's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Use of Estimates

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

Fixed Assets

Fixed assets of **the Foundation** with a unit cost of \$5,000 or more are recorded as assets (capitalized) and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided utilizing the straight-line method over the estimated useful life of the asset, generally 3 to 8 years for improvements and for other property and equipment.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

At June 30, 2018, **the Foundation** had no fixed assets.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenditures are made by **the Foundation**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less. **The Foundation** had no cash equivalents at June 30, 2018.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Income Taxes

The Foundation is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. **The Foundation** files as a tax-exempt organization. Should that status be challenged in the future, **the Foundation's** 2017, 2016 and 2015 tax years are open for examination by the IRS.

Financial Statement Presentation

For the year ended June 30, 2018, **the Foundation** followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*, in the presentation of its financial statements. Under FASB ASC Section 958-205, **the Foundation** is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of **the Foundation**.

Temporarily Restricted Net Assets - Contributions specifically authorized by the donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by **the Foundation**. Generally, the donors of these assets permit **the Foundation** to use all or part of the income derived from the investment of these contributions.

At June 30, 2018, **the Foundation** had no temporarily or permanently restricted net assets.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES (CONTINUED):

Contributions

The Foundation accounts for contributions in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition*, in accounting for contributions received and contributions made. In accordance with FASB ASC Section 958-605, contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of any donor-imposed restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Minimum Foundation Program (MFP)

As a Type 3 charter school, **the Foundation** received funding from OPSB in an amount based on estimated daily attendance at the schools. The amount of funding received is adjusted during the school year based on October 1st and February 1st student counts and the result of any audits performed.

Other Funding

Other revenues received consist of federal and state grants, and other revenue sources.

Budgetary Data

The Foundation formally adopts an annual budget. The budgetary data are submitted to the State of Louisiana, Department of Education for approval.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - FUNCTIONAL ALLOCATION EXPENSES:

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying Statement of Activities.

NOTE 3 - SCHOOL ACTIVITY FUNDS:

The Foundation maintains separate bank accounts for school activities. These accounts are collected for various activities from students and parents and are restricted for their collected purpose. Should those funds not be used for the intended purpose, the funds may be returned to the students and parents from whom they were collected. Restricted school activity funds totaled \$44,423 at June 30, 2018 and were reported as restricted cash and liabilities.

NOTE 4 - GRANTS RECEIVABLE:

At June 30, 2018, grants receivable consisted of the following:

Child Nutrition Program	\$ 39,047
High Cost Services	63,442
IDEA, Part B	<u>131,145</u>
	<u>\$233,634</u>

NOTE 5 - IN-KIND CONTRIBUTIONS

The Foundation received rent-free use of school buildings from the Louisiana Recovery School District and rent-free use of furniture and equipment. The estimated values of the buildings, furniture and equipment were not readily determinable and no amounts have been recorded in the accompanying financial statements.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - IN-KIND CONTRIBUTIONS (CONTINUED):

The Foundation also receives donated services from a number of unpaid volunteers assisting **the Foundation** with its programs, activities, and operations. An estimated value of these services cannot be reasonably determined as a result of the variety of services provided by the varying qualifications of the volunteers. Because the criteria for recognition under FASB ASC Section 958-605 have not been satisfied, these donated services have not been recorded in the financial statements.

NOTE 6 - RETIREMENT SYSTEM:

The Foundation has a 401(k) Profit Sharing Plan that provides for a discretionary matching contribution. The matching contribution was 50% in June 30, 2018 of each participant's contribution, up to 6% of each employee's compensation.

For the year ended June 30, 2018, **the Foundation's** contributions to this plan totaled \$42,307.

NOTE 7 - CONCENTRATION OF CREDIT RISK:

The Foundation maintains non-interest bearing accounts at a local bank. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage on deposit accounts for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. Total uninsured cash balances at June 30, 2018 were \$1,255,710.

NOTE 8 - RISK MANAGEMENT:

The Foundation is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **the Foundation** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - CONCENTRATION OF REVENUE SOURCE:

The Foundation's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. **The Foundation** receives a State allocation and a local allocation per eligible student in attendance at the official pupil count date of October 1st and February 1st, each year.

MFP revenue accounts for 84% of **the Foundation's** total support for the year ended June 30, 2018. State and federal grants are on a cost-reimbursement basis and account for 16% of **the Foundation's** total support for the year ended June 30, 2018. If the amount of revenue received should fall below budgeted award levels, **the Foundation's** operating results could be adversely affected.

NOTE 10 - CONTINGENCY:

The Foundation is a recipient of grants from the state, local and federal funding agencies. The grants are governed by various state, local and federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **the Foundation** and are subject to audit and/or review by grantors. Any grant found to be not properly spent in accordance with the terms, conditions, and regulations of the state, local and federal agencies may be subject to recapture.

NOTE 11 - BOARD OF DIRECTORS' COMPENSATION:

The Board of Directors of **the Foundation** is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2018.

BETTER CHOICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - SUBSEQUENT EVENTS:

The Foundation is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **The Foundation** performed such an evaluation through March 26, 2019, the date which the financial statements were available to be issued.

NOTE 13 - NEW PRONOUNCEMENTS:

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14 affecting ASC 958, *Not-for-Profit Entities*, which establishes standards for external financial reporting by not-for-profit organizations. The primary objective of this Update is to make certain improvements to the current reporting practices of not-for-profit entities. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018.

The FASB also issued Accounting Standards Update No. 2016-02 affecting ASC 842, *Leases*, which provides guidance for any entity that enters into a lease (as defined in this Update), with some specified scope exemptions. The guidance in this Update supersedes ASC 840 *Leases*. The primary objective of this Update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020.

The Foundation is currently assessing the impact of these new pronouncements on its financial statements.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE I

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: LA State Department of Education</u>		
IASA Title I, Part A	84.010	\$ 396,300
IASA Title II, Part A	84.367	69,493
High Cost Services	84.282	63,441
IDEA, Part B	84.027	147,808
Total LA State Department of Education		<u>677,042</u>
Total U.S. Department of Education		<u>677,042</u>
 <u>U.S. Department of Agriculture</u>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: LA State Department of Education</u>		
Child Nutrition Cluster:		
National School Lunch Program and Breakfast Program	10.555, 10.553	401,508
Total U.S. Department of Agriculture		<u>401,508</u>
Total Expenditures of Federal Awards		<u>\$ 1,078,550</u>

NOTE: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Foundation** under programs of the federal government for the year ended June 30, 2018 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic financial statements.

See independent auditors' report on supplementary information.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO THE PRINCIPAL
FOR THE YEAR ENDED JUNE 30, 2018

Principal Name: Ms. Alnita Porea

<u>Purpose</u>	<u>Amount</u>
Salary	\$90,000
Benefits – insurance	5,331
Benefits – retirement	2,017
Bonus	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
License fees	-0-
Unvouchered expenses	-0-
Stipends	-0-
Special meals	-0-

See independent auditors' report on supplementary information.



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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

To the Board of Directors of
Better Choice Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Better Choice Foundation, Inc. (the Foundation)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 March 26, 2019.

Internal Control Over Financial Reporting

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

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
(CONTINUED)

Internal Control Over Financial Reporting, Continued

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-004 to be a material weakness.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 to 2018-003 to be significant deficiencies.

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
(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **the Foundation'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Foundation's Response to Finding

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **The Foundation's** responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
(CONTINUED)

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 Foundation'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 Foundation's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 26, 2019

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 of
Better Choice Foundation, Inc.

Report on Compliance for the Foundation's Major Federal Program

We have audited the **Better Choice Foundation, Inc.'s (the Foundation)** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on **the Foundation's** major federal program for the year ended June 30, 2018. **The Foundation's** major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for **the Foundation's** major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and *the Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **the Foundation'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 qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of **the Foundation's** compliance.

Basis for Qualified Opinion on Title I Program

As described in the accompanying schedule of findings and questioned costs, **the Foundation** did not comply with requirements regarding CFDA 84.010 Title I Program as described in finding number 2018-005 for Procurement. Compliance with such requirements is necessary, in our opinion, for **the Foundation** to comply with the requirements applicable to that program.

Qualified Opinion on Title I Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, **the Foundation** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Program for the year ended June 30, 2018.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-005. Our opinion on each major federal program is not modified with respect to these matters.

The Foundation's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. **The Foundation's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of **the Foundation** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **the Foundation's** internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **the Foundation's** internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-005 to be a material weakness.

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.

The Foundation's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **The Foundation's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 26, 2019

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY AUDITORS' RESULTS

- A. Type of report issued on the financial statements: **Unmodified.**
- B. Did the audit disclose any material weaknesses in internal control over financial reporting? **Yes.**
- C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **Yes.**
- D. Did the audit disclose any non-compliance which is material to the financial statements? **No.**
- E. Did the audit disclose any material weaknesses in internal control over major federal programs? **Yes.**
- F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **None Reported.**
- G. Type of report issued on compliance for major programs: **Modified.**
- H. Did the audit disclose any audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? **Yes.**
- I. Was a management letter issued? **No.**

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS, CONTINUED

J. Identification of Major Programs:

United States Department of Education

84.010 - IASA Title I, Part A

K. Dollar threshold used to distinguish between Type A and Type B Programs:
\$750,000

L. Auditee qualified as a "low-risk" auditee: **Yes.**

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II - FINANCIAL STATEMENT FINDINGS

2018-001 Financial Close and Reporting Process/Submission of Audit Report

Criteria

Management of **the Foundation** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

LSA-RS 24:513 (A)(5)(I) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request, based only on a natural disaster, to file the audit report with the Louisiana Legislative Auditor by a specific date.

Condition

We noted during our audit **the Foundation's** 2018 year end financial close and reporting process was not completed until December 2018. Thus, **the Foundation's** June 30, 2018 financial statements were prepared and finalized nearly six (6) months after the June 30, 2018 year end. Final adjustments to the 2018 financial statements were made in December 2018.

In addition, the June 30, 2018 audited financial statements were not submitted to the Legislative Auditor by the statutory due date of December 31, 2018.

Cause

This condition was caused by 1) sudden turnover of key financial employees at the start of the financial close and reporting process, 2) the lack of a transitional period for the new accounting personnel to familiarize themselves with **the Foundation's** financial operations, and 3) no written financial close and reporting policy to be followed for the accounting staff.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2018-001 Financial Close and Reporting Process/Submission of Audit Report, Continued

Effect

Financial information was not timely and accurately captured for the preparation of the June 30, 2018 financial statements and communicated to management and the board for their use. Also, an audit report filed with or without an approved extension from the Legislative Auditor after the six (6) months' timeframe for any reason other than for a natural disaster is a violation of the State audit completion and submission law.

Recommendation

We recommend that management establishes a well-defined financial close and reporting process. The process and its key attributes (e.g. overall timing, format and frequency of analyses) are formally documented, approved and reviewed on a regular basis. We believe once this well-defined process is established, followed and monitored for its effectiveness, reliable and timely financial statements will be prepared for the use of management and the board, and completed and submitted to the Louisiana Legislative Auditor within the required timeframe.

Management's Response

The Foundation will implement a fiscal year end close policy and procedures for the June 30, 2019 fiscal year end. A fiscal year end close checklist will used to document the timeline for fiscal year end close and reporting, the procedures to be performed and the timing of the closing process. Written documentation of approvals and reviews of the year end financial close and reporting process will be required.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2018-002 Documented Reviews and Approvals

Criteria

Management of **the Foundation** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

Condition

We noted during our audit that the following control procedures were not documented with supervisory reviews and approvals:

- journal entry;
- processing and the payment of payroll;
- bank reconciliation;
- reconciliation of 941 salary information to salaries per general ledger; and
- credit card charges of authorized cardholders.

Cause

The Foundation does not have written policies and procedures that require certain control activities to be documented with reviews and approvals.

Effect

Possible material misstatements or other errors due to fraud may occur without adequate internal controls.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2018-002 Documented Reviews and Approvals, Continued

Recommendation

We recommend that **the Foundation** immediately establish internal controls that require documented reviews and approvals for the payment of payroll, journal entries, bank reconciliation, quarterly 941 reconciliation of salaries and credit card charges.

Management's Response

The Foundation's will immediately update its accounting policies and procedures manual to require documented reviews and approvals for the payment of payroll, journal entries, bank reconciliation, quarterly 941 reconciliation of salaries and credit card charges.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2018-003 Cash Disbursements

Criteria

Management of **the Foundation** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

Condition

Based on our testwork, we noted the following:

- Four (4) of fifty-six (56) tested transactions **the Foundation** could not locate supporting documentation, such as, invoices;
- Eleven (11) of seventeen (17) tested transactions were processed without an approved purchase order;
- Fourteen (14) of fifty-six (56) tested transactions were processed without an approved check request; and
- Six (6) of thirty-three (33) tested checks in the amounts individually greater than or equal to \$5,000 were not signed by two (2) authorized check signors, as required.

Cause

The Foundation failed to follow established policies and procedures.

Effect

Potential fraudulent activities could occur and not be detected with the failure to adhere to purchasing/disbursement procedures.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2018-003 Cash Disbursements, Continued

Recommendation

We recommend that **the Foundation** immediately adhere to current procedures that require all cash disbursements to be supported with source documentation and an approved check request document and an approved purchase order form, as applicable, prior to a payment is made to a payee.

Additionally, we recommend **the Foundation** follow its current procedures that require two (2) authorized check signors to sign checks greater than or equal to \$5,000.

Management's Response

The Foundation's current cash disbursement and purchasing policies and procedures require all cash disbursements to be fully supported with documentation, as well as, the approval of check requests and purchase requisition/purchase order forms, as applicable. **The Foundation's** Principal will be immediately responsible for ensuring that all cash disbursement related approvals are appropriately documented. The Principal will also be responsible for ensuring the check signing policy is followed, particularly for those checks greater than or equal to \$5,000.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2018-004 Material Misstatement

Criteria

Management of **the Foundation** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

Condition

During our audit we identified material misstatements in the financial statements at June 30, 2018 that were not initially identified by **the Foundation's** internal control. Unadjusted accrued liabilities were understated by approximately \$126,000, grants receivable was overstated by approximately \$140,000, MFP receivable was overstated by approximately \$92,000.

We proposed audit adjustments for these material misstatements, which have been corrected by management and are reflected in the audited 2018 financial statements.

Cause

The Foundation's financial reporting control procedures failed to detect and prevent a material misstatement in the unaudited financial statements at June 30, 2018.

Effect

The Foundation's June 30, 2018 financial statements were materially misstated prior to the 2018 audit adjustments made by the Auditors.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED

2018-004 Material Misstatement, Continued

Recommendation

We recommend that **the Foundation** take the necessary steps to update their current financial reporting control procedures to ensure that **the Foundation's** financial statements prepared monthly and annually are reliable and accurate.

Management's Response

The Foundation is currently in the process of contracting with a Certified Public Accounting firm to perform, at a minimum, quarterly reviews of financial statements produced by **the Foundation's** financial reporting system for accurate and reliable reporting to the Board of Directors.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS

2018-005 - Procurement Standards
Title I

Criteria

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurement conform to applicable Federal statutes and the procurement requirement identified in 2 CFR part 200.

Condition

During the 2018 fiscal year, **the Foundation** made a single purchase of supplies and services from a vendor in the amount of \$81,686 that was reimbursed under the Title I grant. We noted that **the Foundation** did not obtain price or rate quotations from an adequate number of qualified sources with respect to this procurement transaction, as required by the procurement standard in 2 CFR Section 200.320(b).

Questioned Costs

Questioned costs of the procurement transaction of \$81,686.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
(CONTINUED)

2018-005 - **Procurement Standards, Continued**
Title I

Effect

Noncompliance with the Federal procurement standards.

Cause

The Foundation was unaware of the procurement standards set out at 2 CFR 200.318 through 326.

Recommendation

We recommend that **the Foundation** update its written procedures for procurement transactions and to follow the required procurement method depending on the aggregate dollar amount of the purchase acquisition of supplies, services or other property to ensure compliance with all procurement standards set forth at 2 CFR Sections 300.318 through 326.

Management's Response

The Foundation concurs with the auditors finding and recommendation. **The Foundation's** management is currently revising its procurement policies and procedures, which would allow **the Foundation** to comply with all procurement standards set forth at 2 CFR Sections 300.318 through 326 for supplies, services or other property purchased under Federal grants.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

2017-001 - Financial Close and Reporting Process/Submission of Audit Report

We recommended that management establishes a well-defined financial close and reporting process. The process and its key attributes (e.g. overall timing, format and frequency of analyses) are formally documented, approved and reviewed on a regular basis. We believe once this well-defined process is established, followed and monitored for its effectiveness, reliable and timely financial statements will be prepared for the use of management and the board, and completed and submitted to the Louisiana Legislative Auditor within the required timeframe.

Current Status

Unresolved. See current year finding 2018-001.

2017-002 - Documented Reviews and Approvals

We recommended that **the Foundation** immediately establish internal controls that require documented reviews and approvals for the payment of payroll, payment of termination pay to employees, bank reconciliation, quarterly 941 reconciliation of salaries and credit card charges.

Current Status

Unresolved. See current year finding 2018-002.

BETTER CHOICE FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED

2017-003 - Requisition and/or Purchase Order System

We recommended that the **Foundation** immediately revise its current requisition and/or purchase order system to require payment for a purchase be made only with a documented approved requisition and/or purchase order, signed receiving report and an approved invoice.

Current Status

Unresolved. See current year finding 2018-003.

SECTION II - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

No matters noted in the prior year audit.

SECTION II - MANAGEMENT LETTER COMMENT

ML 2017-001 - Journal Entry Approval

We recommended that all journal entries be documented with approvals.

Current Status

Unresolved. See current year finding 2018-002.

BETTER CHOICE FOUNDATION, INC.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2018

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Member
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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of
Better Choice Foundation, Inc.,
the Louisiana Department of Education,
and the Louisiana Legislative Auditor

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by management of **Better Choice Foundation, Inc. (the Foundation)**, the Louisiana Department of Education and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of **the Foundation** for the fiscal year ended June 30, 2018, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education in compliance with Louisiana Revised Statute 24:514 I. Management of **the Foundation** is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 3 and 4 either for the purpose for which this report has been requested or for any other purpose.

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 the performance and statistical data. 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.

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

(CONTINUED)

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of **the Foundation**, as required by Louisiana Revised Statute 24:514 I, and the results 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 Louisiana Legislative Auditor as a public document.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 26, 2019

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES

(CONTINUED)

PROCEDURES AND FINDINGS

Our procedures and associated findings are as follows:

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources (SCHEDULE 1)**

1. We selected a sample of 25 transactions, reviewed supporting documentation and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

We noted the following based on our test of twenty-five (25) transactions:

- *Three (3) of twenty-five (25) transactions tested were incorrectly classified;*
- *We did not test one (1) of the twenty-five (25) transactions because **the Foundation** could not locate the supporting documentation for this transaction.*

Management Response

The management of **the Foundation** will review its current procedures to ensure that all cash disbursements are properly classified and supported with source documentation.

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

(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Class Size Characteristics (SCHEDULE 2, formerly SCHEDULE 6)

2. We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1, 2017 roll books for those classes and observed that the class was properly classified on the schedule.

No differences noted.

Education Levels/Experience of Public School Staff (No Schedule)

3. We obtained the October 1st PEP data submitted to the Department of Education, including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data.

*We noted that **the Foundation** had inaccurately reported the years of experience of twelve (12) of the twenty-five (25) individuals tested and inaccurately reported the education level of two (2) of the twenty-five (25) individuals tested.*

Management Response

Current full-time teachers, principals, and assistant principal personnel files will be reviewed and updated to document the education and experience levels of the respective personnel at the time of the file update. This updated information will be included in the October 1st PEP data submitted to the Department of Education.

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

(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Public School Staff Data: Average Salaries (No Schedule)

4. We obtained the June 30th PEP data submitted to the Department of Education of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtain management's representation that the data is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data.

*We did not test three (3) of the twenty-five (25) individuals selected to observe that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data because **the Foundation** did not provide us with supporting documentation to complete this procedure.*

Management Response

Current employee personnel files will be reviewed to ensure that all required updated salary related information is included in the files. This updated information will be used to prepare the October 1st PEP data submitted to the Department of Education.

BETTER CHOICE FOUNDATION, INC.
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum, Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

SCHEDULE 2 - Class Size Characteristics (formerly SCHEDULE 6)

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20; 21-26, 27-33, and 34+ students.

BETTER CHOICE FOUNDATION, INC.
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2018

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 2,162,536	
Other Instructional Staff Activities	771,878	
Employee Benefits	552,249	
Purchased Professional and Technical Services	233,876	
Instructional Materials and Supplies	213,700	
Instructional Equipment	7,496	
Total Teacher and Student Interaction Activities	<u>3,941,735</u>	3,941,735

Other Instructional Activities -

Pupil Support Activities	53,941	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities	<u>53,941</u>	53,941

Instructional Staff Services	184,055	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	<u>184,055</u>	184,055

School Administration	90,489	
Less: Equipment for School Administration	-	
Net School Administration	<u>90,489</u>	90,489

Total General Fund Instructional Expenditures \$ 4,270,220

Total General Fund Equipment Expenditures \$ -

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	-
Total Local Taxation Revenue	<u>\$ -</u>

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	-
Total Local Earnings on Investment in Real Property	<u>\$ -</u>

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue in Lieu of Taxes	<u>\$ -</u>

Nonpublic Textbook Revenue \$ -

Nonpublic Transportation Revenue \$ -

See accompanying independent accountants' report on applying agreed-upon procedures.

Better Choice Foundation, Inc.
Class Size Characteristics
As of October 1, 2017

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	32.14%	9	64.29%	18	3.57%	1	0.00%	0
Elementary Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Middle/Jr. High	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Middle/Jr. High Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
High	0.00%	0	0.00%	0	0.00%	0	0.00%	0
High Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination	0.00%	0	0.00%	0	0.00%	0	4.00%	0
Combination Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See accompanying independent accountants' report on applying agreed-upon procedures.

BETTER CHOICE FOUNDATION, INC.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2018



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

To the Board of Directors of **Better Choice Foundation**
and Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by **Better Choice Foundation (the Foundation)** and the Louisiana Legislative Auditor (LLA), on the control and compliance areas identified in the LLA's Statewide Agreed-upon Procedures (SAUPs), and certain additional procedures requested by the Board of Directors of **the Foundation**, for the year ended June, 30, 2018 ("fiscal period"). **The Foundation's** management is responsible for those control and compliance areas identified in the SAUPs.

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 the report. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 2 to 13 either for the purpose for which this report has been requested or for any other purpose.

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PROCEDURES AND FINDINGS

Our procedures and findings related to the agreed-upon procedures are as follows:

Written Policies and Procedures

1. We obtained and inspected the **Foundation'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.

No exceptions were noted.

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

We noted the purchasing policy does not address (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.

Management's Response

The **Foundation** is incorporating updated fiscal policies and procedures to ensure consistency across organizational departments. The purchasing policy will be updated to include how purchases are initiated; how vendors are added to the vendor list; the preparation and approval process of purchase requisitions and purchase orders; controls to ensure compliance with the public bid law; and necessary documentation required to be maintained for all bids and price quotes.

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

No exceptions were noted.

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).

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We noted the receipts/collections policy does not address preparing deposits and does not include management's actions to determine the completeness of all collections for each type of revenue.

Management's Response

The Foundation is incorporating updated fiscal policies and procedures to ensure consistency across organizational departments. The receipts/collection policy will be updated to include a written procedure for preparing deposits and management's actions to determine the completeness of all collections for each type of revenue.

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

No exceptions were noted.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

We noted the contracting policy does not address (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Management's Response

The Foundation is incorporating updated fiscal policies and procedures to ensure consistency across organizational departments. The purchasing policy will be updated to include a contracting policy which will address types of services requiring written contracts, standard terms and conditions, legal review, approval process, and 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).

No exceptions were noted.

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

We noted the travel and expense reimbursement policy does not address (1) allowable expenses, and (2) dollar thresholds by category of expense.

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Management's Response

The Foundation is incorporating updated fiscal policies and procedures to ensure consistency across organizational departments. The travel and expense reimbursement policy will be updated to include policies for allowable expenses and dollar thresholds by category of expense.

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

We noted that the Foundation does not have an ethics policy that addresses (1) the prohibitions 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 Foundation's ethics policy.

Management's Response

The Foundation is incorporating updated fiscal policies and procedures to ensure consistency across organizational departments. The ethics policy will be updated to include policies for (1) the prohibitions 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 Foundation'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.

Debt service is not applicable; the Foundation had no debt during the fiscal period.

Bank Reconciliations

3. We obtained 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 **Foundation'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);

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We noted bank reconciliations did not include evidence that they were prepared within 2 months of the related statement closing date for three (3) of the five (5) tested bank accounts. We also noted bank reconciliations were not prepared for two (2) of the five (5) tested bank accounts.

Management's Response

Immediately, the Principal will ensure that all bank reconciliations are timely prepared. Each bank reconciliation will be evidenced with the person's name, who prepared the bank reconciliation, as well as, the date the reconciliation was prepared.

- 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);

We noted bank reconciliations did not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks had been reviewed for three (3) of the five (5) tested bank accounts.

Management's Response

The bank reconciliations are prepared by the Director of Finance or Business Manager and approved by the Principal. Management will immediately establish procedures for the Principal to sign and date each monthly bank reconciliation to document bank reconciliation review and approval.

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

We noted that one (1) of the five (5) selected bank reconciliations included a check outstanding more than twelve (12) months. Management has not provided us any documentation reflecting that they have researched this reconciling item that has been outstanding for more than twelve (12) months as of the end of the fiscal period.

Management's Response

Updated policies and procedures will include a check policy to investigate or void outstanding checks, as applicable, after 120 days.

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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).

No exceptions were noted.

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.

No exceptions were noted.

- 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.

No exceptions were noted.

- 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.

No exceptions were noted.

- 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.

No exceptions were noted.

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

No exceptions were noted.

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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.

No exceptions were noted.

b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

This procedure was not able to be completed because the deposit slip was not provided for two (2) of the ten (10) deposits selected.

Management's Response

Currently, **the Foundation** requires the responsible staff to attach a validated deposit slip to the documentation of each cash receipts transaction.

c) Trace the deposit slip total to the actual deposit per the bank statement.

This procedure was not able to be completed because deposit slips were not provided for two (2) of the ten (10) deposits selected.

Management's Response

Currently, **the Foundation** requires the responsible staff to attach a validated deposit slip to the documentation of each cash receipts transaction.

d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

We noted that two (2) of the ten (10) deposits selected were not deposited within one (1) business day of receipt at the collection location. Also, in five (5) of ten (10) deposits selected we were unable to determine whether the deposits were made within one (1) business day of receipt at the collection location because of the lack of documentation to support the date of cash receipts.

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Management's Response

Currently, **the Foundation** is making deposits within one (1) day of receipt of the collection of money.

- e) Trace the actual deposit per the bank statement to the general ledger.

We noted that one (1) of the ten (10) selected deposits was not recorded initially in the 2018 fiscal year general ledger of the Foundation. Prior to the end of the audit, the Foundation recorded this deposit to the 2018 general ledger, as a client adjusting entry.

Management's Response

Immediately, **the Foundation** will ensure that all deposits are timely recorded in the general ledger prior to the bank reconciliation procedure.

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).

No exceptions were noted.

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.

No exceptions were noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions were noted.

- 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.

No exceptions were noted.

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- 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.

No exceptions were noted.

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.

No exceptions were noted.

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

We noted that four (4) of the five (5) selected disbursements did not include a purchase order or check request, as applicable, in the related disbursement file that showed they were approved by someone other than the person who initiated the purchase.

Management's Response

Subsequently, procedures have been updated to include a manual requisition/purchasing process, which includes initiation by the business manager, budgeting approvals by the director of finance, and final/purchasing approval by the principal. Depending on the amount of the purchase and/or obligation, the process may require additional approval by the board of directors.

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.

No exceptions were noted.

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:

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

We noted that three (3) of the three (3) cards selected the monthly statement and supporting documentation were not evidenced with approval.

Management's Response

The credit card policy and procedure will be updated to include review of the credit card statement and related documentation on a monthly basis. The principal approves monthly, in an instance where the principal is also the purchaser or transactions exceed the allotted \$5,000 purchasing limit, prior approval will be obtained by the board chair.

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

No exceptions were noted.

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

We noted the following from the thirty (30) transactions selected from the three (3) P-Cards:

- *Four (4) transactions were not supported by an itemized receipt;*
- *Fourteen (14) transactions were not supported by documentation of a business purpose; and*
- *One (1) transaction did not include documentation of the individuals participating in the meal.*

Management's Response

The Foundation will immediately require that all card transactions be appropriately 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).

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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).

No exceptions were noted.

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

Not applicable. The Foundation used per diem rates.

- 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).

No exceptions were noted.

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

No exceptions were noted.

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.

No exceptions were noted.

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- 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).

No exceptions were noted.

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

No exceptions were noted.

- 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.

No exceptions were noted.

Ethics

16. 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.

No exceptions were noted.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

We noted that the Foundation does not have a policy for employees to attest through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Management's Response

The Foundation will immediately establish an ethics policy for employees to attest through signature verification that he or she has read **the Foundation's** ethics policy during the fiscal period.

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Other

17. 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.

No misappropriations of public funds or assets were identified during the period.

18. 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.

The Foundation did not have the notice required by R.S. 24:523.1 posted on its premises or on its website.

Management's Response

The notice required by R.S. 24:523.1 is currently posted in the teacher's lounge.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion or conclusion on management's assertions, respectively, on those control and compliance 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 control and compliance 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 Legislative Auditor as a public document.

Bruno & Tervalon LLP

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CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 26, 2019