

Laurel Oaks Charter School
Annual Financial Report
For the Year Ended June 30, 2018

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J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Laurel Oaks Charter School
Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying financial statements of Laurel Oaks Charter School (the "School") (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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurel Oaks Charter School 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of functional expenses, schedule of compensation, benefits, and other payments to Agency Heads is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedules required by Louisiana State Law, included as Schedule 1 through 2, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combining financial statements. We have applied certain limited procedures, which are described in the Independent Accountants' Report on Applying Agreed-Upon Procedures. However, we did not audit this information and accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2019 on our consideration of Laurel Oaks Charter School'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 Laurel Oaks Charter School's internal control over financial reporting and compliance.

J. Walker & Company, APC

Lake Charles, LA
January 27, 2019



Basic Financial Statements

LAUREL OAKS CHARTER SCHOOL

Statement of Financial Position

June 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$	27,841
Grants and other receivables		<u>77,234</u>
Total current assets		<u>105,075</u>

Property and Equipment, net 41,951

TOTAL ASSETS \$ 147,026

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	105,441
Notes Payable		120,000
Accrued liabilities		<u>12,134</u>
Total current liabilities		<u>237,575</u>

Net Assets (Deficit)

Unrestricted (90,549)

TOTAL LIABILITIES AND NET ASSETS \$ 147,026

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

LAUREL OAKS CHARTER SCHOOL

Statement of Activities
For the Year Ended June 30, 2018

	<u>Unrestricted</u>
Revenues and support	
Local sources	\$ 650,027
State sources	286,455
Federal sources	<u>189,025</u>
Total revenues and support	<u>1,125,507</u>
Expenses	
Program services:	
Instructional	747,506
Supporting services:	
Management and general	<u>249,113</u>
Total expenses	<u>996,619</u>
Change in net assets	128,888
Net assets (deficit), beginning of year	<u>(219,437)</u>
Net assets (deficit), end of year	<u>\$ (90,549)</u>

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

LAUREL OAKS CHARTER SCHOOL

Statement of Cash Flows

June 30, 2018

Cash Flows From Operating Activities	
Change in net assets	\$ 128,888
Adjustments to reconcile change in net assets to net cash provided by operating	
Changes in operating assets and liabilities	
Depreciation and amortization	4,675
Increase (decrease) in accounts receivable	(61,455)
Increase (decrease) in other assets	8,000
Increase (decrease) in accounts payable	(182,456)
Increase (decrease) in accrued interest related payables	<u>10,901</u>
Net cash used by operating activities	<u>(91,447)</u>
Cash Flows From Financing Activities	
Proceeds from borrowings	<u>120,000</u>
Net cash provided by financing activities	<u>120,000</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	<u>28,553</u>
Cash and Cash Equivalents, Beginning of Year	<u>(712)</u>
Cash and Cash Equivalents, End of Year	<u>\$ 27,841</u>

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

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1- Summary of Significant Accounting Policies

Organization

The Laurel Oaks Charter School (the "School") (a nonprofit organization), was incorporated in 2015 for the purpose of operating a charter school located in Baton Rouge, Louisiana. The School was created to educate all kindergarten through eighth grade students for admission into college preparatory high schools and four-year universities.

The School's initial school year began in August 2015. The Louisiana State Board of Elementary and Secondary Education ("BESE") granted the School a Type 2 charter. The School has full responsibility for its finances and operations.

Basis of Accounting

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

Net Assets

The School's financial statement presentation follows the provisions of the Not-For-Profit Entities Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations, which includes three basic financial statements and the classification of resources into three separate classes of net assets, as follows:

- *Unrestricted* - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
- *Temporarily Restricted* - Net assets whose use by the School is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of the School pursuant to such stipulations.
- *Permanently Restricted* - Net assets whose use by the School is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of the School. There were no permanently restricted net assets at June 30, 2018.

Cash and Cash Equivalents

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

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1- Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

FASB ASC 360, *Property, Plant and Equipment* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Application of the impairment provisions of FASB ASC 360, *Property, Plant and Equipment* has not materially affected the Council's reported earnings, financial condition or cash flows.

Property and equipment are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated property and equipment is recorded at fair market values as of the date received. In the 2018 fiscal year, the School established its accounting policy for the capitalization of property and equipment. The capitalization threshold has been established at \$500 per item. Depreciation (or amortization if software) is computed using the straight-line method over the following useful lives:

Software	3 years
Computers and computer technology	5 years
Furniture, office equipment, and telecommunications	7 years

The Organization reviews long-lived assets and certain identifiable intangibles held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Revenue

The School receives the majority of its revenue from the Minimum Foundation Program (MFP). The amount of the MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The school also receives federal and private sector funding. Federal and state funds are passed through the Louisiana Department of Education.

Grants and Other Receivables and Allowance for Doubtful Accounts

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. At June 30, 2018, management did not deem any receivables to be uncollectible; therefore, no allowance was recorded.

Accrued Liabilities

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

Functional Expenses

The cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management. The

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1- Summary of Significant Accounting Policies (continued)

allocation between the functions is compiled based on the Louisiana Accounting and Uniform Governmental Handbook ("LAUGH").

Income Tax Status

The School is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income tax.

Estimates

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

Note 2- Cash and Cash Equivalents

The School maintains its cash balances at a national financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per accounts. At June 30, 2018, the School's cash deposits did not exceed the FDIC limits.

Laurel Oaks Charter School had the following cash as of June 30, 2018:

Cash and Cash Equivalents	<u>\$ 27,841</u>
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Note 3- Property and Equipment

Fixed assets are carried at cost less accumulated depreciation/amortization. Depreciation/Amortization is determined at rates which will reduce original cost to estimate residual value over the useful life of each asset.

Depreciation expense for the year ended June 30, 2018 was \$4,675. The following schedule summarizes cost and accumulated depreciation of property and equipment as of June 30, 2018:

Capital Assets Being Depreciated	Ending Balance
Furniture/Equipment	\$ 46,626
Less: Accumulated Depreciation	<u>4,675</u>
Net Furniture/Equipment	<u>\$ 41,951</u>

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements For the Year Ended June 30, 2018

Note 4- Notes Payable

Laurel Oaks Charter School had the following Notes payable as of June 30, 2018, in the amount of \$120,000.

Note 5- Operating Lease

An operating lease was entered into on August 17, 2016, by and between Rover Group Inc (“the Sub-Lessor”) and Laurel Oaks Charter School (the “Sub-Lessee”). The leased Premises encompasses the real property located at 440 N. Foster Drive, Baton Rouge, LA 70806. This operating lease has an expiration date of July 31, 2021.

Renewal options are considered in evaluating the overall term of the lease. In accordance with FASB ASC Topic 840 – Leases, differences between periodic rent expenses and periodic cash rental payments, caused primarily by the recognition of rent expense on a straight – line basis and tenant improvement allowances due or received from lessors, are recorded as deferred rent obligation on statement of financial position. The future rental payments in total, and for each of the next four years are as follows.

For the year ended June 30,

2019	\$	150,656
2020		144,000
2021		144,000
2022		<u>12,000</u>
	\$	<u>450,656</u>

Note 6- Accrued Liabilities

Accrued liabilities consists of accrued salaries and benefits expense incurred from the date of the last payment through the end of the fiscal year. As of June 30, 2018, the school had accrued liabilities \$12,134.

Note 7- Grants Receivable

Grants receivable are deemed to be fully collectible by management; accordingly, no allowance for doubtful accounts has been determined.

Note 8- Risk Management

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

Note 9- Retirement

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements For the Year Ended June 30, 2018

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

Note 10- Significant Concentration

For the year ended June 30, 2018, the School received approximately 97% of its total revenue from public funds.

Note 11- Board of Directors Compensation

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

Note 12- Fair Value of Financial Instruments

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" (Topic 820), Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements.

The estimated fair values of the Organization's financial instruments, including receivable and payables arising in the ordinary course of business, approximate their individual carrying amount.

Note 13- Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require the School's management to evaluate tax positions taken by the School and recognize a tax liability if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The School's management has analyzed the tax positions taken by the School, and has concluded that at June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 14 - Commitments and Contingencies

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

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 15 – Deficit Net Assets

When Laurel Oaks Charter School opened its doors in August 2016, the enrollment targets the school budgeted for was short by more than 50%. In an effort to cut expenses, Laurel Oaks laid off staff and relied upon volunteers. With sufficient cash flow management, the school was able to pay down the outstanding liabilities significantly. The remaining debt has been negotiated and is currently being satisfied through monthly payments. The board projects the total indebted amount will be satisfied by June 30, 2019.

Note 16 - Subsequent Events

The management of Laurel Oaks evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through January 27, 2019 the date which the financial statements were available to be issued.

Supplementary Information

LAUREL OAKS CHARTER SCHOOL

Schedule of Compensation, Benefits and Other Payments to Agency Head
June 30, 2018

Shafe, Shamsid-Deen Agency Head
07/2017 Thru 09/2017

	<u>Amount</u>
Salary	\$ 5,625
Benefits - Insurance	<u>1,098</u>
Total Compensation, Benefits, and Other Payments to Agency Head	<u>\$ 6,723</u>

Rashid Young, Agency Head
10/2017 Thru 06/2018

	<u>Amount</u>
Salary	\$ 48,750
Benefits - Insurance	<u>17,284</u>
Total Compensation, Benefits, and Other Payments to Agency Head	<u>\$ 66,034</u>

LAUREL OAKS CHARTER SCHOOL

Statement of Functional Expenses
June 30, 2018

	<u>Program Services</u>	<u>Support Services</u>	<u>Total Expenses</u>
Salaries & Wages	\$ 336,346	\$ 35,792	\$ 372,138
Payroll Taxes	23,897	8,742	32,639
Insurance	31,009	2,757	33,766
Accounting/Audit Expenses	-	31,691	31,691
Bank Charges - Other Fees & Services	-	45	45
Rent Expenses	163,517	-	163,517
Supplies	63,026	5,432	68,458
Repairs and Maintenance	17,428	17,212	34,640
Instructional Service Expenses	18,220	10,382	28,602
School Administrative Expense	3,179	121,306	124,485
Depreciation	4,675	-	4,675
Interest Expense	-	8,429	8,429
Transportation	78,884	-	78,884
Bad Debt Expenses	7,325	7,325	14,650
Total	<u>\$ 747,506</u>	<u>\$ 249,113</u>	<u>\$ 996,619</u>

See Independent Auditors' Report



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors, 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 the management of Laurel Oaks Charter School ("School") (a nonprofit organization); the Louisiana Department of Education, and the Legislative Auditor, State of Louisiana (the specified parties), on the performance and statistical data accompanying the annual financial statements of Laurel Oaks Charter School 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 applicable Board of Elementary and Secondary Education ("BESE") Bulletin, in compliance with Louisiana Revised Statute 24:514 (I). Management of the School 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 enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings related to the accompanying schedules of supplementary information are as follows:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on Schedule 1:
 - 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
 - Nonpublic Transportation Revenue

Findings: None noted.

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Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on Schedule 2. We then traced a random sample of 10 classes to the October 1, 2018 roll books for those classes and determined if the classes were properly classified on Schedule 2.

Findings: None noted.

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

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

J. Walker & Company, APC

Lake Charles, Louisiana

January 27, 2019



Schedules

LAUREL OAKS CHARTER SCHOOL

General Fund Instructional and Support Expenditures
And Certain Local Revenue Sources
For the Year Ended June 30, 2018
Schedule 1

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	186,371	
Other Instructional Staff Activities	30,315	
Instructional Staff Employee Benefits	51,756	
Purchased Professional and Technical Services	1,520	
Instructional Materials and Supplies	61,681	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	-	331,643
Other Instructional Activities		5,315
Pupil Support Activities	10,382	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities	-	10,382
Instructional Staff Services	21,973	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	-	21,973
School Administration		
Less: Equipment for School Administration	85,471	
Net School Administration	-	85,471
Total General Fund Instructional Expenditures (Total of Column B)		454,784
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		630,462
<u>Certain Local Revenue Sources</u>		
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		-
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		-
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		-
Nonpublic Textbook Revenue		-
Nonpublic Transportation Revenue		-

See Independent Auditors' Report

LAUREL OAKS CHARTER SCHOOL

Class Size Characteristics
As of October 1, 2017
Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	33.3%	6	33.3%	6	33.3%	6	0.0%	0
Elementary Activity Classes	33.3%	1	33.3%	1	33.3%	1	0.0%	0
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

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.

Internal Control, Compliance and Other Matters



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

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

Board of Directors
Laurel Oaks Charter School
Baton Rouge, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Laurel Oaks Charter School, (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Laurel Oaks Charter School'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 Laurel Oaks Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Laurel Oaks Charter School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses [2018-01 and 2018-02].

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurel Oaks Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items [2018-03].

Laurel Oaks Charter School's Response to Findings

Laurel Oaks Charter School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Laurel Oaks Charter School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

J. Walker & Company, APC

Lake Charles, Louisiana
January 27, 2019



Findings and Responses

LAUREL OAKS CHARTER SCHOOL

Schedule of Findings and Responses For the Year Ended June 30, 2018

I. Summary of Auditors' Results

a. Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Laurel Oaks Charter School.
2. There were two control deficiencies disclosed during the audit of the financial statements and reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. Both of these deficiencies are considered material.
3. There was one instance of noncompliance that is reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

b. Federal Awards

N/A

c. Management Letter

1. No management letter was issued in connection with the audit for the year ended June 30, 2018.

LAUREL OAKS CHARTER SCHOOL
Schedule of Findings and Responses
For the Year Ended June 30, 2018

II. Findings – Internal Controls and Compliance

2018-01 Accounts Payable

Fiscal Year Finding Originated: 2018

Condition:

Good controls require that appropriate documentation to support all payments is maintained, more than one individual be involved in the disbursement process, and bills be paid on a timely basis to avoid penalties and interest.

From a haphazard sample of checks multiple instances of the following was noted:

- No documentation was provided for some checks.
- Purchase orders for some of the checks could not be provided.
- Numerous checks were paid more than 30 days after the invoice date.

Criteria:

Management is responsible for establishing internal control policies and procedures that provide for proper accounting, reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization.

Effective internal control should include vendor disbursements having original documentation (invoices, etc.), proper approval, and paid timely. Payable disbursements should have proper support. Credit card and charge account payments should be supported by statements and adequate receipts containing written evidence of appropriate review and approval.

Cause:

There is poor control over vendor payables and disbursements.

Effect:

Internal control over disbursements is not adequate resulting in untimely and unsupported payments.

Recommendation:

Management should develop a formal plan that includes both short-and long-term spending to ensure it can operate within available funding. Strong controls should be implemented over the disbursement process to ensure that (1) more than one individual is involved in the process (e.g., receiving, recording, reviewing, approving and paying); (2) documentation to support all bills and payments is complete and maintained intact; and (3) all bills are paid timely.

LAUREL OAKS CHARTER SCHOOL
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All vendor payments in the future should include original documentation (invoices, etc.) and should be paid timely. Records supporting disbursements should be properly maintained. All vendors should have a completed W-9 form.

Management Response:

The management company has assisted the organization with creating stronger internal controls with reference to our credit/debit card usage. The Organization has also hired a new accountant whose responsibility it is to maintain employee files with proper documentation, and to insure that vendors are paid timely.

2018- 02 Inadequate Controls over Financial Reporting

Fiscal Year Finding Originated: 2018

Condition:

Financial statements are not prepared monthly on funds of the organization. Monthly budget-to-actual comparison schedules are not prepared and presented to the Board for discussion.

Criteria:

Adequate internal controls in relation to financial reporting require that specific procedures be in place to ensure that transactions are properly supported and recorded on a timely basis. In addition, controls should be in place to ensure the appropriate oversight of funds and monthly transactions from those charged with governance. Monthly financial statements should be provided to the organization board for their review. The financial activity and comparison to budgeted amounts is necessary for the proper stewardship of the school.

Management is responsible for establishing internal control policies and procedures that provide for proper accounting, reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization.

Cause:

The organization did not maintain an adequate control environment due to lack of monitoring and oversight by those charged with governance. Monthly financial statements were not prepared for the Agency Head and board of directors during the audit period due to the accounting records not being current.

An internal control system was not designed and/or implemented to ensure that adequate controls were in place in all areas to prevent, detect, and correct noncompliance in a timely manner. Management of the Organization was not seeking advice and reviewing transactions on a regular basis to ensure that financial related matters were in compliance.

LAUREL OAKS CHARTER SCHOOL
Schedule of Findings and Responses
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Effect:

The lack of adequate internal controls relating to general ledger maintenance significantly increases the risk that material error and irregularities could exist and not be detected. The lack of oversight significantly increases the risk of the misappropriation of assets. Lack of complete accounting records necessary to prepare financial statements. Management of the organization does not have financial information necessary to plan and operate the organization effectively. Without complete financial information on all funds on a timely basis, including budget-to actual comparisons, the Agency Head and Board of Directors cannot effectively exercise its fiduciary responsibilities of monitoring and managing the School's fiscal affairs.

Recommendation:

The organization should review its existing controls over financial reporting and adopt and implement policy and procedures that will ensure the safeguarding of the school's assets, reporting accurate financial data and that personnel comply with policies, procedures and regulations. In addition, the organization should complete its review of the draft "Accounting Policy and Procedures Manual," maintain the general ledger on a timely basis including posting transactions, completing account reconciliations, and preparing monthly financial statements. The organization should develop a written accounting policy manual which includes month-end procedures along with formal approvals and other control procedures. Those in charge of governance should monitor the process to ensure compliance with the policies established. The Agency Head should ensure that he and the board are presented each month with current financial statements (e.g., Balance Sheet; Statement of Revenue, Expenditures, and Changes in Fund Balance; Cash Flow Statements for all funds of the organization, including budget-to-actual comparisons and warning of any corrective action needed to be taken (e.g., amending the budget).

Management's Response:

The new system recently implemented provides for the board to be presented with complete financial information which includes budget-to-actual comparisons. This information is now provided on a monthly basis to the board, and should not only significantly reduce the risk of misappropriation of assets, but should greatly enhance the fiduciary responsibility of those in charge of monetary decisions that impact the organization's fiscal affairs.

2018-03 Failure to timely file audit report

Fiscal Year Finding Originated: 2018

Condition:

The Organization failed to submit audited report to LA Legislative Auditor in a timely manner.

Criteria:

La. R.S.24.513 states that "all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee's fiscal year."

LAUREL OAKS CHARTER SCHOOL
Schedule of Findings and Responses
For the Year Ended June 30, 2018

Cause:

The organization failed to engage an auditor in a timely manner.

Effect:

The organization was not in compliance with the State Law governing the completion and submission of audit reports.

Recommendation:

The organization should engage independent auditor in a timely manner to ensure adequate time for completion of audit and the timely filing of report.

Management's Response:

Management will engage auditor in a timely manner to ensure timely filing of annual report.

State Agreed Upon Procedures



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Director
Laurel Oaks Charter School
Baton Rouge Louisiana, and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Laurel Oaks Charter School and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The School's management is responsible for those C/C areas identified in the SAUPs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

We performed the procedure above and noted no exceptions.

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

We performed the above procedure and noted the following exceptions:

The written policies and procedures do not address documentation required to be maintained for all bids and price quotes.

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

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

We performed the procedure above and noted no exceptions.

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

- 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.

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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

We performed the above procedure and noted the following exception:

The policies and procedures did not include the requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

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

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

We performed the procedure above and noted no exceptions.



Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board’s enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - a) Observe that the board/finance committee met with a quorum at least monthly or on a frequency in accordance with the board’s enabling legislation, charter, bylaws, or other equivalent document.

We performed the above procedure and noted the following exception:

No Board Meeting minutes were provided for 4 month (August, September, October, and November 2017).

Management’s Response: See management’s response letter.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons.

N/A

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

N/A

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management’s representation that the listing is complete. Ask management to identify the entity’s main operating account. Select the entity’s main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

We performed the above procedure and noted the following exception:

Bank reconciliations did not include evidence that they were prepared within 2 months of the related statement closing date.

Management’s Response: See Management’s Response.



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

We performed the above procedure and noted the following exceptions:

No evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

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

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

We performed the procedure above and noted no exceptions.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees that are responsible for cash collections do not share cash drawers/registers.

We performed the procedure above and noted no exceptions.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

We performed the procedure above and noted no exceptions.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

We performed the procedure above and noted no exceptions.



- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:



- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

We performed the above procedures and noted the following exceptions:

No evidence that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

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

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

We performed the above procedures and noted the following exceptions:

No evidence that at least two employees are involved in processing and approving payments to vendors.

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

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

We performed the procedure above and noted no exceptions.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

We performed the procedure above and noted no exceptions.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

We performed the above procedure and noted the following exceptions:

The school was unable to provide the original invoice/billing statement for 2 out of 5 transactions selected.

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



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

We performed the above procedure and noted the following exceptions:

The disbursement documentation does not included evidence of segregation of duties tested.

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

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

We performed the above procedure and noted the following exceptions:

No evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

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

- b) Observe that finance charges and late fees were not assessed on the selected statements.
- We performed the procedure above and noted no exceptions.*
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

We performed the above procedure and noted the following exceptions:

For the 10 transactions selected, no supporting documentation was provided by the school.



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

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 Travel and travel-related expense reimbursements during the fiscal year, therefore, no procedure performed.

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

No Travel and travel-related expense reimbursements during the fiscal year, therefore, no procedure performed.

- 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 Travel and travel-related expense reimbursements during the fiscal year, therefore, no procedure performed.

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

No Travel and travel-related expense reimbursements during the fiscal year, therefore, no procedure performed.

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 contract was bid in accordance with the Louisiana Public Bid Law in the fiscal year, therefore, no procedure performed.

- 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).

Not applicable.

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

No contract was amended, therefore, no procedure performed.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We performed the procedure above and noted no exceptions.

Payroll and Personnel

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

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.



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

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

We performed the procedures above and noted the following exceptions:

No documentation provided demonstrating the 5 selected employee/official completed one hour of ethics training during the fiscal period.

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

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

We performed the procedures above and noted the following exceptions:

No documentations provided demonstrate the 5 selected employee/official attested through signature verification that he or she has read the entity's ethics policy during fiscal periods.

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

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable.



22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not applicable.

Other

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

No misappropriations of public funds and assets during the fiscal periods.

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

We performed the procedure above and noted no exceptions.

J. Walker & Company, APC

Lake Charles, Louisiana
December 04, 2018





LAUREL OAKS

January 31, 2019

To Whom it May Concern:

Unfortunately, the previous administration did not follow all of the policies and procedures administered by the governing board of Laurel Oaks Charter School. As the new CEO, I was not privy to document storage locations and daily operating procedures. The previous leadership team had some deficiencies in the areas of document retention and financial management. Those mishandlings left us in a precarious position. We have since enacted new policies and can only account for 2017-2018 to the best of our knowledge based on the limited documentation left behind. *Please read the Management Responses below:*

WRITTEN POLICIES AND PROCEDURES

page 1 - 2

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

We performed the above procedure and noted the following exceptions:

The written policies and procedures do not address documentation required to be maintained for all bids and price quotes.

Management's Response:

The charter school management team will adopt a new purchasing policy to address the concerns noted in the audit. We will seek assistance from the LDOE and Crossmark Education Business Services when needed. Laurel Oaks will adhere to and execute the procedures in place according to our financial policies and procedures manual to ensure the following:

- 1. Authorize the procurement of good and/or services.**
- 2. Process purchases and record invoices and issue checks.**
- 3. Perform month-end reconciliation procedures.**

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

We performed the above procedure and noted the following exception:



LAUREL OAKS

The policies and procedures did not include the requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Management's Response:

During the relevant period, the ethics policy of Laurel Oaks Charter School didn't require an hour ethics training during the fiscal period, nor did the ethics policies require signature verification that those subject to the code had to read the ethics policy during the relevant period. Please see attached policy.

Laurel Oaks will adhere to and execute the procedures in place according to our financial policies and procedures manual. We will address the concerns of the auditors by implementing the following procedures in our policies:

- 1. Ensure all employees and elected officials have a copy of the ethics codes.**
- 2. Include the prohibitions clause as defined in Louisiana Revised Statute 42:1111-1121 in our financial policies and procedures manual.**
- 3. Incorporate a verification signature form or log to ensure all employees and elected officials have received and read the ethics code.**

BOARD AND/OR FINANCE COMMITTEE

page 3

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - a) Observe that the board/finance committee met with a quorum at least monthly or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

We performed the above procedure and noted the following exception:

No Board Meeting minutes were provided for 4 months (August, September, October, and November 2017). Please see attached document due to litigation law suit

Laurel Oaks will adhere to and execute the procedures in place according to our by-laws according to ARTICLE V in reference to meetings. We will address the concerns of the auditors by executing the following procedures:

- 1. The Board of Directors shall have at least 10 regular meetings each year.**
- 2. The Board of Director's Secretary will ensure all minutes, papers, and documents of the board are recorded, true, and correct for filing.**
- 3. The Board of Directors shall keep all records of the board minutes accessible to the public via the school office location and online via the website.**



LAUREL OAKS

BANK RECONCILIATIONS

page 3 - 4

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

We performed the above procedure and noted the following exception:

Bank reconciliations did not include evidence that they were prepared within 2 months of the related statement closing date.

Management's Response:

Bank reconciliations performed during the audit period of July 1, 2017 through June 30, 2018 were supposed to be performed by an outside financial company hired by the former Charter School CEO. This did not happen because the prior CEO did not contract with an outside company. Laurel Oaks currently has hired Crossmark Business Education Services to do these reconciliations on a monthly basis.

Laurel Oaks will adhere to and execute the procedures in place according to our financial policies and procedures manual. We will address the concerns of the auditors by implementing the following procedures in our policies:

- 1. Bank reconciliation will be prepared by Crossmark Business Education Services monthly.**
- 2. Bank reconciliation will be reviewed in our financial management team meetings.**
- 3. Management will track and record that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.**

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

We performed the above procedure and noted the following exceptions:

No evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.



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Management's Response:

Bank reconciliations performed during the audit period of July 1, 2017 through June 30, 2018 were supposed to be performed by an outside financial company hired by the former Charter School CEO. This did not happen because the prior CEO did not contract with an outside company. Laurel Oaks currently has hired Crossmark Business Education Services to do these reconciliations on a monthly basis and have been forwarding them to us for review.

Laurel Oaks will adhere to and execute the procedures in place according to our financial policies and procedures manual. We will address the concerns of the auditors by implementing the following procedures in our policies:

- 1. Bank reconciliation will be prepared by Crossmark Business Education Services monthly.**
- 2. Bank reconciliation will be reviewed in our financial management team meetings and presented to finance committees of the board meetings as requested.**
- 3. Management will track and record that it has researched reconciling items and will sign on tracking report to verify the review of bank reconciliation.**

NON-PAYROLL DISBURSEMENTS (excluding card purchases/payments, travel reimbursements, and petty cash purchases) page 6 - 7

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

We performed the above procedures and noted the following exceptions:

No evidence that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Management's Response:

The prior Charter School CEO was responsible for the payment and disbursement of all non-payroll activities. That person is no longer employed. The new Charter School CEO is aware of this finding and will make sure that this will not happen again. The current management team has addressed the concerns of the auditors which was implemented with new CEO of Laurel Oaks.



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1. Operations Manager is involved in initiating a purchase request.
 2. CEO approves the purchase by signing and/or initial and date.
 3. Operations Manager places the order/make the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.

We performed the above procedures and noted the following exceptions:

No evidence that at least two employees are involved in processing and approving payments to vendors.

Management's Response:

The prior Charter School CEO was responsible for identifying another employee to ensure processing and approving payment to vendors. That person is no longer employed. The new Charter School CEO is aware of this finding and will make sure that this will not happen again. The current management team has addressed the concerns of the auditors which was implemented with new CEO of Laurel Oaks.

1. Operations Manager receives invoices for payments from vendors.
 2. CEO approves the vendor's invoice payment on designated dates which are twice a month by signing and/or initial and date.
 3. Operations Manager process payments for invoices twice a month based on approval of CEO.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

We performed the above procedure and noted the following exceptions:

The school was unable to provide the original invoice/billing statement for 2 out of 5 transactions selected.

Management's Response:

The prior Charter School CEO was responsible for securing itemized invoices and/or support for all purchases. That person is no longer employed. The new Charter School CEO is aware of this finding and will make sure that this will not happen again. The current management team has addressed the concerns of the auditors which were implemented according to our financial policy of Laurel Oaks.

1. Operations Manager maintains a filing system with original invoices/billing statements received.
2. Administrative Assistant scans invoices and upload to transmit to Crossmark Business Education Services (CEO maintains an electronic file).
3. Crossmark Business Education Services upload invoices to Quickbooks for reference as it relates to each payment made.



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

We performed the above procedure and noted the following exceptions:

The disbursement documentation does not include evidence of segregation of duties tested.

Management's Response:

The prior Charter School CEO was responsible for the payment and disbursement of all non-payroll activities. That person is no longer employed. The new Charter School CEO is aware of this finding and will make sure that this will not happen again. The current management team has addressed the concerns of the auditors which were implemented according to our financial policy of Laurel Oaks.

- 1. Operations Manager receives disbursement documentations.**
- 2. CEO approves the disbursement documentations and approves by signing and/or initial and date.**
- 3. Operations Manager will process, maintains reports via an electronic log for tracking, and file appropriately.**

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]



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We performed the above procedure and noted the following exceptions:

No evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Management's Response:

The prior Charter School CEO was responsible for securing itemized invoices and/or support for all credit card purchases. That person is no longer employed. The new Charter School CEO is aware of this finding and will make sure that this will not happen again. The current management team has addressed the concerns of the auditors according to our financial policy of Laurel Oaks.

1. **Monthly statements or combined statements and supporting documents are reviewed by financial consultant(s) and/or finance committee of the board.**
 2. **Ensure it is approved by someone other than the authorized card holder.**
 3. **Implementing Monthly Tracking Reports to verify approval by someone other than authorized card holder.**
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

We performed the above procedure and noted the following exceptions:

For the 10 transactions selected, no supporting documentation was provided by the school.

Management's Response:

The prior Charter School CEO was responsible for securing itemized invoices and/or support for all credit card purchases. That person is no longer employed. The new Charter School CEO is aware of this finding and will make sure that this will not happen again. The current management team has addressed the concerns of the auditors according to our financial policy of Laurel Oaks.

1. **Receipts, invoices, and statements received are itemized and documented for its purpose for business and/or transactions.**
2. **Supporting documented are filed accordingly, scanned, uploaded for transmission to Crossmark Business Educations Services to enter into QuickBooks.**
3. **Maintain Monthly Tracking Reports that includes verification of documents received and approval of business transactions on designated dates.**



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ETHICS

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14. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

We performed the procedures above and noted the following exceptions:

No documentation provided demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Management’s Response:

During the relevant period, the ethics policy of Laurel Oaks Charter School didn’t require an hour ethics training during the fiscal period, nor did the ethics policies require signature verification that those subject to the code had to read the ethics policy during the relevant period. Please see attached policy. We will address the concerns of the auditors by implementing the following procedures in our policies:

1. **Ensure all employees and elected officials have a copy of the ethics codes.**
2. **Include the prohibitions clause as defined in Louisiana Revised Statute 42:1111-1121 in our financial policies and procedures manual.**
3. **Incorporate a verification signature form or log to ensure all employees and elected officials have received and read the ethics code.**

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

We performed the procedures above and noted the following exceptions:

No documentations provided demonstrate each employee/official attested through signature verification that he or she has read the entity’s ethics policy during fiscal periods.

Management’s Response:

During the relevant period, the ethics policy of Laurel Oaks Charter School didn’t require an hour ethics training during the fiscal period, nor did the ethics policies require signature verification that’s subject to the code had to read the ethics policy during the relevant period. Please see attached policy. We will address the concerns of the auditors by implementing the following procedures in our policies:



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- 1. Ensure all employees and elected officials have a copy of the ethics codes.**
- 2. Include the prohibitions clause as defined in Louisiana Revised Statute 42:1111-1121 in our financial policies and procedures manual.**
- 3. Incorporate a verification signature form or log to ensure all employees and elected officials have received and read the ethics code.**

As the new CEO, I have answered these questions to the best of my ability, based on the limited files and documentation that were left by the previous administration. The new management team for Laurel Oaks is working hard to adhere to the policies and procedures established by the school governing body to ensure compliance with the state. Therefore, we are executing the policies and procedures that are in place. We have implemented new systems as needed and identified strong partnerships to ensure that Laurel Oaks is operating according to the expectations of the governing body and the state of Louisiana.

Sincerely,

Stefanie Ashford

Stefanie Ashford, CEO