

LAUREL OAKS CHARTER SCHOOL

ANNUAL FINNACIAL REPORT

JUNE 30, 2019

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J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Laurel Oaks Charter School
Baton Rouge, LA

We were engaged to audit 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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Laurel Oaks Charter School's could not provide sufficient competent evidence to determine the accuracy and completeness of the School's financial statements for the year ended June 30, 2019 in a timely manner. As a result, we were unable to determine whether any adjustments were necessary relating to the existence and carrying amounts of items presented within the financial statements. The School's management could not provide the following:

- Evidence to support the existence, completeness, and accuracy of the amount presented as accounts receivable in the financial statements.
- Evidence to support the accuracy and completeness of the amount of fixed assets presented in the financial statements.
- Evidence to support the existence, completeness, and accuracy of the amount presented as total liabilities in the financial statements.
- Evidence to support the accuracy and completeness of expenditures totaling \$1,202,455 reported on the Statement of Activities at June 30, 2019.

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- Evidence to support the disclosures related to the items listed above.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

J. Walker & Company, APC

Lake Charles, LA
December 20, 2019



Basic Financial Statements

LAUREL OAKS CHARTER SCHOOL

Statement of Financial Position

June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$ 66,492
Grants and other receivables	<u>49,242</u>
Total Current Assets	<u>115,734</u>

Property and Equipment, net

47,745

TOTAL ASSETS

\$ 163,479

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 132,500
Notes payable	<u>52,000</u>
Total Current Liabilities	<u>184,500</u>

Net Assets (Deficit)

Without donor restrictions	<u>(21,021)</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ 163,479

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

LAUREL OAKS CHARTER SCHOOL

**Statement of Activities
Year Ended June 30, 2019**

	<u>Without Donor Restrictions</u>
Revenues and support	
Local sources	\$ 789,703
State sources	337,221
Federal sources	<u>145,059</u>
Total revenues and support	<u>1,271,983</u>
Expenses	
Program services:	
Pupil support programs	165,400
Special programs	47,991
Special education programs	28,652
Regular programs	353,659
Other instructional programs	<u>29,022</u>
Total program services	624,724
General and administrative	<u>577,731</u>
Total expenses	<u>1,202,455</u>
Change in net assets	69,528
Net assets (deficit), beginning of year	<u>(90,549)</u>
Net assets (deficit), end of year	<u>\$ (21,021)</u>

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

LAUREL OAKS CHARTER SCHOOL

**Statement of Cash Flows
Year Ended June 30, 2019**

Cash Flows From Operating Activities	
Change in net assets	\$ 69,528
Adjustments to reconcile change in net assets to net cash provided by operating	
Changes in operating assets and liabilities	
Depreciation and amortization	6,362
(Increase) decrease in accounts receivable	27,992
Increase (decrease) in accounts payable	27,059
Increase (decrease) in accrued liabilities	<u>(12,134)</u>
Net cash used by operating activities	<u>118,807</u>
 Cash Flows From Investing Activities	
Purchases of property and equipment	<u>(12,156)</u>
Net cash used by investing activities	<u>(12,156)</u>
 Cash Flows From Financing Activities	
Proceeds from borrowings	<u>(68,000)</u>
Net cash provided by financing activities	<u>(68,000)</u>
 Net Cash Increase (Decrease) in Cash and Cash Equivalents	<u>38,651</u>
 Cash and Cash Equivalents, Beginning of Year	<u>27,841</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 66,492</u>

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

LAUREL OAKS CHARTER SCHOOL

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services					Supporting Services		Total Expenses
	Pupil Support Programs	Special Programs	Special education Programs	Regular Programs	Other Instructional Programs	Total Program Service	General and Administration	
Functional Expenses								
Salaries	\$ 31,267	\$ 41,259	\$ 26,526	\$ 265,605	\$ 3,788	\$ 368,445	\$ 162,871	\$ 531,316
Employee benefits and payroll taxes	2,740	3,800	2,126	27,141	1,699	37,506	11,982	49,489
Professional fees	-	-	-	-	-	-	43,526	43,526
Bank fees	-	-	-	-	-	-	306	306
Materials and supplies	200	6	-	21,946	-	22,152	4,284	26,436
Service fees	131,193	-	-	32,386	23,535	187,114	116,413	303,527
Facility expenses	-	-	-	-	-	-	159,550	159,550
Repair and maintenance	-	-	-	-	-	-	51,746	51,746
Travel	-	-	-	6,581	-	6,581	-	6,581
Insurance	-	-	-	-	-	-	14,397	14,397
Depreciation	-	-	-	-	-	-	6,362	6,362
Interest	-	-	-	-	-	-	6,294	6,294
Miscellaneous	-	2,926	-	-	-	2,926	-	2,926
Total Functional Expenses	<u>\$ 165,400</u>	<u>\$ 47,991</u>	<u>\$ 28,652</u>	<u>\$ 353,659</u>	<u>\$ 29,022</u>	<u>\$ 624,724</u>	<u>\$ 577,731</u>	<u>1,202,455</u>

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

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2019

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.

Basis of Presentation

The School is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements (continued)
June 30, 2019

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

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, 2019, management did not deem any receivables to be uncollectible; therefore, no allowance was recorded.

Property, Plant and Equipment

Land, buildings and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$500 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, as follows:

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

The School 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.

Contributions

Contributions are recorded when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increases those net asset classes. When a donor restriction expires, donor restricted net assets are reclassified and reported in the statement of activities as net assets without donor restrictions.

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements (continued)
June 30, 2019

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.

Compensated Absences

Laurel Oaks Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Financial Accounting Standards Board Accounting Standards Codification No. 710-10-50-1 (FASB ASC 710-10-50-1), "Accounting for Compensated Absences".

A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. As of June 30, 2019, no estimates were made for compensated absences.

Functional Expenses

The cost of providing the School's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Depreciation is allocated base on square footage and item usage. Cost of other categories were allocated on estimates of time and effort.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the School.

Tax Status

The School is a tax-exempt organization under Internal Revenue Code Section 501(c)(3), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC).

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, 2019, 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.

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements (continued)
June 30, 2019

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications

Certain accounts in 2018 financial statements have been reclassified to conform with the current year financial statement presentation.

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restriction.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

Financial assets:

Cash and cash equivalents	\$	66,492
Receivables		49,242
Total	\$	<u>115,734</u>

Note 3 – Fair Value Measurements

FASB Accounting Standards Codification Topic 820, “Fair Value Measurements” (Topic 820), requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. The School reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximized the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability’s measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements (continued)
June 30, 2019

- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

ASC Topic 820 requires the School to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy, the details of such fair value measurements.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities approximate fair value due to the short-term nature of the items; and are considered to fall within Level 1 of the fair value hierarchy. The fair values of notes payable are based on a combination of the stated or implied interest rates and the unsecured borrowing rate available to us at the measurement dates; and approximate their carrying amounts. These estimates are considered to fall with Level 2 of the fair value hierarchy.

Note 4 - 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, 2019 was \$6,362. The following schedule summarizes cost and accumulated depreciation of property and equipment as of June 30, 2019:

<u>Capital Assets Being Depreciated</u>	<u>Ending Balance</u>
Furniture/Equipment	\$ 58,782
Less: Accumulated Depreciation	<u>(11,037)</u>
Net Furniture/Equipment	<u>\$ 47,745</u>

Note 5 – Notes Payable

Laurel Oaks Charter School had the following Notes payable as of June 30, 2019, in the amount of \$52,000.

LAUREL OAKS CHARTER SCHOOL

Notes to the Financial Statements (continued)
June 30, 2019

Note 6- 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 remaining portion of the operating lease was terminated as a result of the school losing its charter.

Note 7 - 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 8 - Retirement

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 9 - Significant Concentration

For the year ended June 30, 2019, the School received approximately 97% of its total revenue from public funds.

Note 10 - 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, 2019.

Note 11 - 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 (continued)
June 30, 2019

Note 12 – 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. As of June 30, 2019, the School still has deficit net assets of \$21,021.

Note 13 – Going Concern and Plan of Action

Laurel Oaks Charter School license to operate as a Type 2 charter school was revoked by BESE. The school discontinued instructional activities on June 30, 2019. The School lost its charter amid charges that there was negligence of student health and safety and failed to meet acceptable standards for financial management. Per State requirements, the School assets purchased with state or federal funds will be donated to other charter schools located in the Baton Rouge area. The School is in the process of negotiations a settlement plan for the outstanding debts. The outstanding loan and debt are in process of negotiations subsequent to the issuance of the financial report. Remaining administrative activities are being finalized with surplus funds and federal reimbursements. Those funds are expected to carry the School through December 31, 2019.

Note 14 - Subsequent Events

The management of Laurel Oaks evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 20, 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, 2019**

Rashid Yong, Agency Head
07/2018 Thru 08/2018

	<u>Amount</u>
Salary	\$ <u>8,809</u>
Total Compensation, Benefits, and Other Payments to Agency Head	\$ <u>8,809</u>

Stefanie Ashford, Agency Head
8/2018 Thru 06/2019

	<u>Amount</u>
Salary	\$ <u>42,833</u>
Total Compensation, Benefits, and Other Payments to Agency Head	\$ <u>42,833</u>

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 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 Laurel Oaks Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 December 20, 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.

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 responses, we did identify 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 deficiencies described in the accompanying schedule of findings and responses as items 2019-01, 2019-02, and 2019-04 to be material weaknesses.

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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 did not consider any deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies.

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 item 2019-03.

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
December 20, 2019



Findings and Responses

LAUREL OAKS CHARTER SCHOOL

Schedule of Findings and Responses For the Year Ended June 30, 2019

I. Summary of Auditors' Results

a. Financial Statements

1. The independent auditors' report expresses a disclaimer of opinion on the financial statements of Laurel Oaks Charter School.
2. There were three 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*. These deficiencies are considered material weaknesses.
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, 2019.

LAUREL OAKS CHARTER SCHOOL
Schedule of Findings and Responses (continued)
For the Year Ended June 30, 2019

II. Findings – Internal Controls and Compliance

2019-01 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.

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.

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.

LAUREL OAKS CHARTER SCHOOL
Schedule of Findings and Responses (continued)
For the Year Ended June 30, 2019

2019- 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.

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

LAUREL OAKS CHARTER SCHOOL
Schedule of Findings and Responses (continued)
For the Year Ended June 30, 2019

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.

2019-03 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.”

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.

LAUREL OAKS CHARTER SCHOOL
Schedule of Findings and Responses (continued)
For the Year Ended June 30, 2019

2019-04 Un-Auditable Records

Fiscal Year Finding Originated: 2019

Condition:

Original source documentation for the School's transactions was not provided. We were also unable to substantiate adjustments made to capital assets.

Criteria:

Valid, complete supporting documentation should be available for all transactions.

Cause:

The School lost its charter to operate and the documents requested were moved to an off-site location.

Effect:

We were unable to determine if account balances and related disclosures are fairly presented at June 30, 2019.

Recommendation:

Supporting documentation should be properly maintained for all transactions.

Management Response:

The management company has assisted the organization with creating stronger internal controls with reference to accounting records. The Organization has also hired a new accountant whose responsibility it is to maintain proper accounting records.

LAUREL OAKS CHARTER SCHOOL
Summary of Prior Year Findings
For the Year Ended June 30, 2019

III. Summary of Prior Year Findings

2018-01 Accounts Payable

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.

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 ensure that vendors are paid timely.

Current Status:

Unresolved, see finding 2019-01.

2018- 02 Inadequate Controls over Financial Reporting

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.

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.

Current Status:

Unresolved, see finding 2019-02.

LAUREL OAKS CHARTER SCHOOL
Summary of Prior Year Findings
For the Year Ended June 30, 2019

2018-03 Failure to timely file audit report

Condition:

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

Management's Response:

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

Current Status:

Unresolved, see finding 2019-03.

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 Oak Charter School
Baton Rouge Louisiana, and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Apex Southeast, Inc 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, 2018 through June 30, 2019. 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:

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.**

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STE.100
LAKE CHARLES
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(O) 337-478-7902
(F) 337-478-3345

5100 WESTHEIMER
SUITE 231
HOUSTON
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(O) 713-588-4460
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MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

2. Process purchase and record invoices and issue checks

3. Perform month-end reconciliation procedures

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

We performed the procedure above and noted no exceptions.

- 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).

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:

During the relevant period, the ethic 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.



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 a defined in Louisiana Revised Statue 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.**

- 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.

Management's Response:

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 record of the Board minutes accessible to public via the school office location and online via website.**
- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.



We performed the procedure above and noted no exceptions.

- 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.

We performed the procedure above and noted no exceptions.

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:

5 Bank Reconciliation were not prepared within 2 month of the related statement closing date.

Management's Response:

Bank reconciliations performed during the audit period of July 1, 2018, through June 30, 2019 were supposed to be performed by an outside financial company fired 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 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.

Management's Response:

Bank reconciliations performed during the audit period of July 1, 2018 through June 30, 2019 were supposed to be performed by an outside financial company fired 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 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.**

- 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:

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.

- 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.**

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

We performed the procedure above and noted no exceptions.

- b) 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.

- c) 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 disbursement provided does not match the original invoice/billing statement.

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 statement 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.**

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 on included evidence of segregation of duties tested.

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 receives disbursement documentations.**
- 2. CEO approves the disbursement documentations and approves by signing and/or initial ad 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

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.]]

No credit cards used during the fiscal year, therefore, no procedures performed.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

No credit cards used during the fiscal year, therefore, no procedures performed.
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 procedure above and noted no exceptions.

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 exceptions noted.

- 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).

We performed the procedure above and noted no exceptions.

- 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' cumulate 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 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. 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 those subject to the code had to read the ethics policy during the relevant period. 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.**

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.

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 Oak 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.

