

FAMILY ROAD OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana

FINANCIAL REPORT

September 30, 2017

FAMILY ROAD OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family Road of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Family Road of Greater Baton Rouge, Inc., a Louisiana nonprofit corporation, which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows and functional expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

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and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Road of Greater Baton Rouge, Inc. as of September 30, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis -of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the Family Road will continue as a going concern. While the Organization was able to eliminate its accumulated deficit in net assets during the year ended September 30, 2017, it also faced the conclusion of a substantial grant program that had allowed it to show positive results over the past three years. As of September 30, 2017, the Organization had net assets of \$63,209. The conditions stated above, however, continue to raise substantial doubt about the Organization's ability to continue as a going concern. Management's plans regarding those matters are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. My opinion is not modified with respect to this matter.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 19-20, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of compensation, benefits and other payments to the executive director on page 25 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and derives 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 31, 2018, on my consideration of Family Road of Greater Baton Rouge Inc.'s internal control over

financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in blue ink that reads "John L. McKowen, CPA". The signature is written in a cursive style.

John L. McKowen, CPA

Baton Rouge, Louisiana
March 31, 2018

FAMILY ROAD OF GREATER BATON ROUGE, INC.
 Baton Rouge, Louisiana
STATEMENT OF NET POSITION
 September 30, 2017

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$	167,664
Cash and cash equivalents - restricted and designated		5,856
Accounts Receivable		158,880
Prepaid expenses		5,919
Other assets		36,350
Total Current Assets		374,669

Property and Equipment

Building		432,382
Furniture and equipment		371,867
Leasehold improvements		486,893
		1,291,142
Less: Accumulated depreciation		(850,686)
Net Property and Equipment		440,456

Total Assets

\$ 815,125

LIABILITIES

Current Liabilities

Accounts payable	\$	16,727
Accrued expenses		122,199
Deferred revenues		-
Notes payable - current portion		30,015
Total Current Liabilities		168,941

Long-Term Liabilities

Notes payable - less current portion		582,975
Total Long-Term Liabilities		582,975

Total Liabilities

751,916

NET ASSETS (DEFICIT)

Unrestricted		57,323
Temporarily restricted		5,886
Total Net Position (Deficit)		63,209

Total Liabilities and Net Assets (Deficit)

\$ 815,125

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

FAMILY ROAD OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

Year ended September 30, 2017

UNRESTRICTED NET ASSETS

Unrestricted revenue		
Contributed services	\$	24,898
Donated materials		9,807
Public support		48,165
Fundraising		8,545
Miscellaneous		10,027
Forgiveness of debt		55,000
Grants		1,163,542
		<u>1,319,984</u>
	Total unrestricted revenue	
		<u>1,319,984</u>
Net assets released from restrictions		8,513
	Total unrestricted revenue and other support	<u>1,328,497</u>
Expenses		
Programs		1,008,582
Management and general		216,247
Fundraising		13,302
	Total expenses	<u>1,238,131</u>
	Change in unrestricted net assets	<u>90,366</u>

TEMPORARILY RESTRICTED NET ASSETS

Grants		5,886
Net assets released from restrictions		<u>(8,513)</u>
	Change in temporarily restricted net assets	<u>(2,627)</u>

TOTAL CHANGE IN NET ASSETS		87,739
Net assets (deficit) at beginning of year		<u>(24,530)</u>
	Net assets (deficit) at end of year	<u><u>\$ 63,209</u></u>

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

FAMILY ROAD OF GREATER BATON ROUGE, INC.
 Baton Rouge, Louisiana
STATEMENT OF CASH FLOWS
 Year ended September 30, 2017

	Business-type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 87,739
Adjustments to reconcile the change in net assets to net cash provided by operating activities	
Depreciation	24,785
Forgiveness of debt	(55,000)
Changes in operating assets and liabilities:	
Accounts receivable	143,204
Prepaid expenses	(2,189)
Other assets	(2,100)
Accrued expenses and accounts payable	(37,553)
Deferred revenue	(10,500)
Net cash provided by operating activities	148,386
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of capital assets	(2,068)
Disposition of capital assets	2,494
Net cash provided by investing activities	426
Net Increase in Cash and Cash Equivalents	148,812
Cash and Cash Equivalents, beginning of year	24,708
Cash and Cash Equivalents, end of year	\$ 173,520

The accompanying notes are an integral part of these statements.

FAMILY ROAD OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2017

	Program	Management and General	Fundraising	Total
Salaries and contract fees	\$ 648,208	\$ 75,760	\$ 11,208	\$ 735,176
Payroll taxes and employee benefits	109,709	27,791	2,094	139,594
Utilities and building maintenance		18,045		18,045
Insurance	3,850	8,695		12,545
Depreciation	22,628	3,203		25,831
Interest expense		9,377		9,377
In-kind donations (program)	34,705			34,705
Meetings, travel and education	36,013	688		36,701
Legal and accounting fees		28,239		28,239
Marketing	2,133	2,568		4,701
Telephone	38,187	11,310		49,497
Office and computer supplies	28,712	4,379		33,091
Printing and publications	7,526	1,206		8,732
Postage	256	32		288
Fundraising expenses		9,875		9,875
Program and other expenses	76,655	15,079		91,734
 Total expenses	 \$ 1,008,582	 \$ 216,247	 \$ 13,302	 \$ 1,238,131

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

FAMILY ROAD OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and purpose

Family Road of Greater Baton Rouge, Inc. (the Organization) is a Louisiana nonprofit corporation organized to provide a place to help meet the needs of families through collaboration and coordination of community resources. The sources of income to the Organization include donations (public support), grants, donated services and materials.

The Healthy Start grant was initially awarded to the Organization during the year ended September 30, 2002. The grant was renewed for an additional four years in June 2005 and again in 2009. In 2014, the grant was renewed for an additional five years beginning June 1, 2014. Funding is provided by the U.S. Department of Health and Human Services through the Health Resources and Services Administration – Maternal and Child Health Bureau. The goal of the Healthy Start program is to enhance the community's service system to address significant infant mortality and other personal health indicators related to disparities or differences occurring due to the lack of education, low income, disability, or living in rural areas.

The Navigator grant was initially awarded to the Organization during the year ended September 30, 2015. The grant was renewed for an additional three years beginning September 2, 2015. Funding is provided by the U.S. Department of Health and Human Services through the Centers of Medicare and Medicaid Services. The goal of the Navigator program is to provide in-person resources for Americans who want additional assistance when shopping for and enrolling in plans through the Health Insurance Marketplace.

Basis of accounting and reporting

Family Road of Greater Baton Rouge, Inc. prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Family Road of Greater Baton Rouge, Inc. reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of September 30, 2017, Family Road of Greater Baton Rouge, Inc. had \$57,323 in unrestricted net assets, \$5,886 in temporarily restricted net assets and no permanently restricted net assets.

FAMILY ROAD OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents

Cash and cash equivalents include all monies in banks with original maturities of 90 days or less. Restricted cash represents amounts held by the Organization with donor imposed restrictions

Promises to give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined that no allowance is necessary as of September 30, 2017.

Property and equipment

Property and equipment are stated at historical cost. Depreciation of property and equipment is based upon the estimated useful lives of the assets, which range from 5-39 years, using the straight-line method. Maintenance and repairs are charged to expense, while additions and improvements are capitalized.

Contributed materials and services

The Organization recognizes contribution revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided for by donation.

Donated materials and equipment are reflected as contribution income and expense in the accompanying financial statements at their estimated values at the date of receipt.

FAMILY ROAD OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

Contributions

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions

Income taxes

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

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years 2014, 2015 and 2016 are subject to examination by the IRS.

Estimates

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

NOTE 2 – NOTES PAYABLE

On January 1, 2005, the Organization paid Woman's Hospital \$40,000 and signed a promissory note for \$582,559 to consolidate the Organization's original debt due to Woman's Hospital and the Baton Rouge Area Foundation along with additional amounts loaned to the Organization for operating costs. The Organization began making monthly payments on this debt on June 1, 2005. During the year ended September 30, 2011, the Organization requested and was granted permission to defer principal payments for the period beginning January 1, 2011 until the Organization is able to obtain additional, sustainable revenues, resulting in monthly interest payments only of \$781 due during the deferment period. The original and combined payments of principal and interest will resume with a balloon payment due at maturity based on an agreed upon amortization schedule. The note was still in deferment as of September 30, 2017, and no interest payments were made during fiscal year 2017.

The Organization received \$427,250 as part of a loan agreement with the Office of Community Development during the year ended September 30, 2010 which was used for the purchase of the building occupied by Family Road. An additional \$5,132 was received during the year ended September 30, 2011 and finally \$117,618 was received during the year ended September 30, 2013. This is a principal only loan with a term of 10 years. The

FAMILY ROAD OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

repayment terms of the note will be forgiven on a straight-line basis over the life of the loan in accordance with the grant terms. During the year ended September 30, 2017, \$55,000 was forgiven on the loan.

A summary of long-term debt at September 30, 2017 is as follows:

	<u>Amount</u>
Community Development Block Grant (CDBG) loan; 10 years at 0%, forgivable, secured by building	\$ 195,384
Woman's Hospital; 15 years at 2%, requiring a \$40,000 initial payment, monthly payments of \$2,947, and a balloon payment of \$199,795 at the end of 15 years, unsecured	417,606
Total long-term debt	\$ 612,990
Less: current portion	<u>(30,015)</u>
Long term debt, net of current portion	<u>\$ 582,975</u>

Assuming the remaining CDBG loan will be forgiven as scheduled, total scheduled debt payments during the years ending September 30 are as follows:

	<u>Amount</u>
2018	30,015
2019	30,621
2020	<u>552,354</u>
Total	<u>\$612,990</u>

NOTE 3 – DONATED MATERIALS

The Organization received various contributions of materials to be used both within the program and to be distributed to clients without charge during the year ended September 30, 2017. These contributions have been recorded as revenue with an offsetting entry recorded to expense. The value of donated material received during the year ended

FAMILY ROAD OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 was \$9,807, and consisted mainly of diapers, formula, baby and children's clothing, and various items of infant related equipment.

NOTE 4 – CONTRIBUTED SERVICES

During the year ended September 30, 2017, the total value of contributed services meeting the requirements for recognition in the financial statements was \$24,898. Contributed services represent volunteer hours worked by various social workers, nutritionists, and other professionals.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the salaries and other program expenses for the following programs:

Flood relief	\$5,886
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NOTE 6 – NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the following programs:

Wilson Foundation	\$6,308
Flood Relief	<u>3,337</u>
Total	<u>\$9,645</u>

NOTE 7 – PENSION PLAN

All employees, 18 years of age or older, are eligible to participate in the Employee Retirement Savings Plan at the date of hire. Employees may make voluntary contributions of up to 25% of their pay, up to \$18,000 per year. There currently is no match requirement for the Organization under this plan.

NOTE 8 – GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Organization as a going concern. Over a period of several years, the Organization experienced operating losses due to unforeseen state cuts and federal grant funding delays as well as the lack of unrestricted contributions necessary to cover administrative

FAMILY ROAD OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

and overhead costs of the Organization. Existing grant funding is contingent upon the approval and level of funding available from the granting agencies.

While the Organization was able to eliminate its accumulated deficit in net assets during the year ended September 30, 2017, it also experienced the conclusion of a substantial grant program that had allowed it to show positive results over the past three years. As of September 30, 2017, the Organization had net assets of \$63,209. The conditions stated above, however, continue to raise substantial doubt about the Organization's ability to continue as a going concern.

The Organization has developed a plan to manage its liabilities and increase revenue through management of expenses and seeking new sources of support which include the following:

- Management will have quarterly fundraisers for Family Road and its programs to defray cost programmatically and administratively. This includes working with Bayou Blessings which consists of volunteers who are raising money on behalf of the Organization. Family Road will also take advantage of organizations that are willing to give a percentage of their profit to the Organization through fundraisers and other giving opportunities.
- Management will work with federal representatives to monitor grant funding for Navigator and make adjustments as needed during the fiscal year based upon updates/adjustments.
- Management will work with the business and philanthropic communities to secure annual pledges.
- Management will explore opportunities for funding as a designated community resource center with the City-Parish and federal governments.
- Management will hold a Solaris fundraiser during the fiscal year. This will be an awards banquet which will include nominations, winners, honorees, and a guest speaker. This will include sponsorships, ticket sales, and donations.
- Management will partner with social service, medical and educational organizations to lease out office space.
- Management will continue to increase fee for service classes and programs.
- Management will work with the Board of Directors which has committed to raise \$5,000 per member during the fiscal year for the general operating budget of Family Road.
- Management will continue and increase efforts regarding the "Friends of Family Road" campaign through one-on-one meetings, letter campaigns and social media. Providing various opportunities for donations and sponsorship of the Organization and its programs.
- Management will continue to apply for grants and contracts that support its

FAMILY ROAD OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

mission.

The ability of the Organization to continue as a going concern is dependent upon the success of these plans. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

NOTE 9 – SUBSEQUENT EVENTS

Management of Family Road of Greater Baton Rouge, Inc. has evaluated subsequent events through March 31, 2018, the date that the financial statements were available to be issued and has determined that no events occurred that require disclosure.

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Certified Public Accountant

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

To the Board of Directors
Family Road of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

I 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 Family Road of Greater Baton Rouge, Inc. (Family Road or the Organization), a Louisiana non-profit corporation, which comprise the statement of financial position as of September 30, 2017 and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated March 31, 2018.

Internal Control over Financial Reporting

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

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

My 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

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material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Road's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Under Louisiana Revised Statute 24:513, the Legislative Auditor distributes this report as a public document.



John L. McKowen, CPA
Baton Rouge, Louisiana
October 24, 2017

John L. McKowen
Certified Public Accountant

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

To the Board of Directors
Family Road of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

Report on Compliance for its Major Federal Program

I have audited Family Road of Greater Baton Rouge, Inc.'s (Family Road or the Organization), (a Louisiana non-profit corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Family Road's major federal programs for the year ended September 30, 2017. Family Road's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Family Road's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Road's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Family Road's compliance.

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Opinion on its Major Federal Program

In my opinion, Family Road, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control over Compliance

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

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

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

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



John L. McKowen, CPA
Baton Rouge, Louisiana
March 31, 2018

FAMILY ROAD OF GREATER BATON ROUGE, INC.
 Baton Rouge, Louisiana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended September 30, 2017

Federal Grantor/Pass-Through-Grantor Program Title	Grant Number	CFDA Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through			
Health Resources and Services Administration			
Maternal and Child Health Bureau:			
Healthy Start Program	H49MC00107	93.926E	\$ 690,783
Passed through			
Centers for Medicare and Medical Services:			
Cooperative Agreement to Support Navigators			
in Federally-Facilitated and State Partnership			
Exchanges	NAVCA150299-02-00	93.332	<u>428,645</u>
Total U.S. Department of Health and Human Services			<u>1,119,428</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through			
City of Baton Rouge – Parish of East Baton Rouge			
Office of Community Development			
Community Development Block Grant (loan)	N/A	14.218	<u>250,385</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,369,813</u>

FAMILY ROAD OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Road of Greater Baton Rouge, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from the amounts presented in the preparation of the basic financial statements.

NOTE B – RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES

Total expenses	\$1,238,131
Non-cash adjustment – depreciation	(25,831)
Non-cash adjustment – donated service and materials	(34,705)
Non-federal expenditures	<u>(3,167)</u>
Total Federal Expenditures	<u>\$1,174,428</u>

NOTE C – FORGIVABLE LOAN

The Organization received \$427,250 as part of a loan agreement with the City of Baton Rouge – Parish of East Baton Rouge, Office of Community Development during the year ended September 30, 2010 which was used for the purchase of the building occupied by Family Road. An additional \$5,132 was received during the year ended September 30, 2011 for building improvements and finally \$117,618 was received during the year ended September 30, 2013 for a total of \$550,000. This is a principal only loan with a term of 10 years. The repayment terms of the note will be forgiven on a straight-line basis over the life of the loan in accordance with the grant terms. During the year ended September 30, 2017, \$55,000 was forgiven on the loan.

NOTE D – DE MINIMUS COST RATE

During the year ended September 30, 2017, the Organization did not elect to use the 10% de minimus cost rate as covered in Section 200.414 of the Uniform Guidance.

NOTE E – AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

During the year ended September 30, 2017, the Organization did not pass through any federal funding to subrecipients.

FAMILY ROAD OF GREATER BATON ROUGE, INC.
 Baton Rouge, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended September 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified Opinion, Going Concern

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? No
- Noncompliance material to financial statements noted? No

Federal Awards

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? No

The program tested as major programs include:
 Healthy Start Program CFDA #93.926E

- The threshold for distinguishing Types A and B programs was program expenditures equal to or exceeding \$750,000.
- Family Road of Greater Baton Rouge, Inc. did not qualify as a low-risk auditee.

FAMILY ROAD OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2016

FINDINGS AND QUESTIONED COSTS – Financial Statement Audit

2016-001 Internal Control over Employee Advances

Criteria: A system of internal controls over the employee advance process is necessary to ensure that the Organization is spending funds for a legitimate business purpose and in accordance with grant term. Controls should also be in place to ensure that accurate and adequate documentation is being maintained contemporaneously with the transaction.

Condition: During audit procedures over advances made to employees, the predecessor auditor noted one instance in which a check request was written and signed by the same person. In another instance, the predecessor auditor observed an invoice that was split into two consecutive checks, which resulted in a second signature not being required. The predecessor also noted that, in 7 out of the 8 employee checks tested, documentary evidence to support the use of all employee-advanced funds on business expenses was not maintained contemporaneously with the transaction.

Cause: Check requests to advance employees funds can be approved and the check can be signed by the same person without a requirement of a second approval or signor under certain dollar amounts, which increases the risk that funds could be disbursed for reasons other than legitimate business purposes. Management did not maintain the documentary evidence to support the use of all employee-advanced funds on business expenses contemporaneously with the use of those funds. Documentary support was subsequently provided for all items tested.

Effect: Without requiring contemporaneous documentary evidence to support the use of advanced funds or the reimbursement of the Organization for unused advanced funds to employees, this could lead to inappropriate use of funds. Also, when check requests are written and signed by the same person, this creates opportunity for the funds to be disbursed inappropriately. This is considered a significant deficiency. This is a repeat finding.

Recommendation: The Organization should ensure that all advances to employees are supported in full by receipts for legitimate business expenses, or the remainder of funds is supported by a reimbursement to the Organization by the employee. All documentation for disbursements should be maintained in conjunction with the transactions taking place. The Organization should

FAMILY ROAD OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2016

also ensure that policies and procedures are in place for appropriate segregation of duties, including the prevention of employees from writing checks to themselves without additional approvals or signors.

View of Responsible Official

Family Road has established policies to ensure that advances are supported in full and any remainder of funds be reimbursed to the Organization by the employee. Family Road has obtained a debit card for organizational expenses. This card will be used with appropriate approvals to make purchases for the Organization thereby alleviating the need for an employee to write a check to themselves.

Current Status: Resolved

2016-002 Internal Control over In-kind Service Provider Revenue

Criteria: A system of internal controls over in-kind service provider revenue is necessary to ensure that the Organization is accurately valuing and recording donated services. Controls should be in place to ensure that adequate documentation is being maintained to support all in-kind service provider revenue and their recordation in the accounting system.

Condition: During audit procedures over donated service provider hours, the predecessor auditor noted that service providers are not required to sign in as documentation of their time for certain classes, which include Grandparents Raising Grandchildren, MS Support Group, and Parenting Plus. There is a lack of internal control over the process of maintaining adequate records for the in-kind service providers to ensure the accuracy of calculations. For the Car Seat Safety Classes, the predecessor auditor also noted that supporting documentation is not consistently maintained from third party providers to support hours served.

Cause: A review process does not periodically take place to ensure that documentation is maintained and adequately supports the service provider hours recorded each month.

Effect: Without a formalized review process pertaining to in-kind service provider hours, this could lead to unsupported hours and improper valuation of in-kind revenue at year end. This is considered a significant deficiency.

FAMILY ROAD OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2016

Recommendation: The Organization should ensure that all in-kind service provider hours which are recorded in the accounting system are fully supported by sign-in sheets or time records. All documentation should be maintained contemporaneously. The Organization should also ensure that policies and procedures are in place to ensure consistent documentation is maintained across all class types. The Organization should implement a review process periodically, but at a minimum quarterly, to ensure adequate documentation is being maintained.

View of Responsible Official

Family Road has established policies and procedures to ensure that all in-kind service provider hours are fully supported by sign-in sheets or time sheets for all classes. Family Road, on a monthly basis, will review that adequate documentation is maintained.

Current Status: Resolved

FINDINGS AND QUESTIONED COSTS – Major Federal Award Programs

None noted.

FAMILY ROAD OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana
**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

AGENCY HEAD NAME: Dena Christy

Ms. Christy received the following compensation, benefits or other payments derived from public (governmental) funds which require disclosure in accordance with La. R.S. 24:513(A)(3).

PURPOSE	AMOUNT
Salary	\$44,779
Fringe benefits	5,581
Reimbursements	4,789
Cell phone	1,156
Travel	<u>1,045</u>
Total	\$57,350

John L. McKowen
Certified Public Accountant

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FAMILY ROAD OF GREATER BATON ROUGE, INC.
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES
YEAR ENDED SEPTEMBER 30, 2017

To the Board of Directors
Family Road of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

I have performed the procedures enumerated below as they are a required part of the engagement. I am required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, I have marked "not applicable."

Management of Family Road of Greater Baton Rouge, Inc. (Family Road) is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of Family Road and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about Family Road's compliance with certain laws and regulations during the year ended June 30, 2017.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I 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.

Written Policies and Procedures

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

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

The Organization has written policies and procedures that adequately address budgeting.

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

The Organization has written policies and procedures that adequately address purchasing.

Member

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Society of Louisiana Certified Public Accountants*

- c) **Disbursements**, including processing, reviewing, and approving
The Organization has written policies and procedures that adequately address disbursements.
- d) **Receipts**, including receiving, recording, and preparing deposits
The Organization has written policies and procedures that adequately address receipts.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
The Organization has written policies and procedures that adequately address payroll/personnel.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
The Organization has written policies and procedures that adequately address contracting.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
The Organization has written policies and procedures that adequately address the use of credit cards.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
The Organization has written policies and procedures that adequately address travel and expense reimbursement.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
The Organization has no written policies and procedures pertaining to ethics.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Not applicable.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
The Board met six times during the fiscal year with a quorum present.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

The minutes of each meeting reflected discussion of budget-to-actual comparisons.

If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Not applicable.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes reflected discussion of non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

Per management, the Organization has four bank accounts.

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

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared each month.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The Executive Director reviews the bank reconciliation each month.

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

Management has contacted the three individuals with an uncashed check at year-end in an attempt to clear its long outstanding reconciling items.

Collections

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

Per management, checks and money orders only are collected at the main office.

Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each cash collection location selected:

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

There is written documentation that each person responsible for collecting cash is bonded, but there is no written documentation for the remaining items above.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The Organization has a written policy that the Director of Finance reconciles cash collections to the general ledger by revenue source.

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

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

Each of the daily collections selected were deposited within one day of collection.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Daily cash collections are completely supported by documentation.

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

While a person not responsible for collections determines completeness of collections, the Organization has no written documentation pertaining to completeness of all collections.

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

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

Per management, the general ledger population is complete.

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

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

All purchases selected were initiated using a requisition system that separates initiation from approval.

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

Each purchase was approved by a person who did not initiate the purchase.

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

All of the above were required prior to processing of payments.

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

The Organization has no written documentation regarding the addition of vendors.

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

The Organization has no written documentation regarding the above.

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

Unused checks are maintained in a locked location by an individual who has no signatory authority.

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

Not applicable.

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

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

Per management, a complete listing of credit card holders was provided.

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

There is only one card.

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

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

Monthly statements and supporting documentation was reviewed and approved by an individual other than the cardholder.

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

No fees or late charges were assessed on the selected statements.

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

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

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

Receipts were attached.

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

Purpose was documented.

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

Not applicable.

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

No exceptions noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

Travel and Expense Reimbursement

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

Per management, the general ledger population is complete.

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

Not applicable.

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

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

Each expense was reimbursed according to policy.

- b) Report whether each expense is supported by:

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

Each expense was supported by an original itemized receipt.

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

Purpose was documented.

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

Not applicable.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

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

Each expense and related documentation was reviewed and approved by someone other than the person receiving reimbursement.

Contracts

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

Per management, the listing is complete.

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

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

Each vendor has a formal contract supporting the services arrangement and the amount to be paid.

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

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

All legal requirements of each contract were complied with.

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

Not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

All amendments were approved at the Board level.

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

Invoices and related payments complied with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

All contracts were approved at the Board level.

Payroll and Personnel

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

Per management, the listing is complete.

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

Compensation paid to the five employees was in strict accordance to the pay rate structure.

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

Changes made to hourly rates during the fiscal period were approved in writing and were in accordance with policy.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not

eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

The selected employees document their daily attendance and leave.

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

Supervisors approve all leave in writing.

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

Written documentation was provided.

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

Not applicable.

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

Payroll taxes, retirement contributions, and required reporting forms were submitted by the required deadlines.

Ethics (excluding nonprofits)

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

Not applicable.

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

Not applicable.

Debt Service (excluding nonprofits)

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

Not applicable.

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

Not applicable.

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

Not applicable.

Other

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

Per management, there were no misappropriations of public funds or assets.

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

Not applicable.

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

Not applicable.

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



John L. McKowen, CPA
Baton Rouge, Louisiana
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