

The Arc of Louisiana
Baton Rouge, Louisiana

AUDITED FINANCIAL STATEMENTS
June 30, 2017 and 2016



TWRU

CPAs & Financial Advisors

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CPAs & Financial Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Arc of Louisiana
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Arc of Louisiana (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arc of Louisiana as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, reimbursements, benefits, and other payments to agency head, political subdivision head, or chief executive officer, as required by Louisiana Revised Statute 24:513(A)(3), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of the Arc of Louisiana's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Arc of Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arc of Louisiana's internal control over financial reporting and compliance.

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CPAs & Financial Advisors
Baton Rouge, Louisiana
December 12, 2017



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The ARC of Louisiana
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION
(See Notes to Financial Statements)
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 423,830	\$ 309,946
Contracts Receivable	157,047	216,747
Due from Foundation	21,372	6,937
Note Receivable-Affiliated Chapter	-	27,500
Receivables - Other	3,135	5,214
Prepaid Expenses	90	4,057
TOTAL CURRENT ASSETS	<u>605,474</u>	<u>570,401</u>
BENEFICIAL INTEREST IN THE FOUNDATION	1,565,654	1,545,882
FURNITURE AND EQUIPMENT		
Furniture and Equipment	67,420	67,420
Less: Accumulated Depreciation	<u>(66,757)</u>	<u>(65,430)</u>
Net Furniture and Equipment	<u>663</u>	<u>1,990</u>
TOTAL ASSETS	<u>\$ 2,171,791</u>	<u>\$ 2,118,273</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 43,351	\$ 39,032
Payroll Liabilities	14,458	13,501
Other Liabilities	<u>7,219</u>	<u>10,579</u>
TOTAL CURRENT LIABILITIES	65,028	63,112
LONG-TERM LIABILITIES		
Micro-enterprise Revolving Loan Fund	<u>15,715</u>	<u>15,715</u>
TOTAL LONG-TERM LIABILITIES	<u>15,715</u>	<u>15,715</u>
TOTAL LIABILITIES	<u>80,743</u>	<u>78,827</u>
NET ASSETS:		
Unrestricted	871,838	820,236
Permanently Restricted	<u>1,219,210</u>	<u>1,219,210</u>
TOTAL NET ASSETS	<u>2,091,048</u>	<u>2,039,446</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,171,791</u>	<u>\$ 2,118,273</u>

The ARC of Louisiana
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES
(See Notes to Financial Statements)
For the Years Ended June 30, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Public Support	\$ 52,004	\$ -	\$ -	\$ 52,004
Contract Revenue	1,075,739	-	-	1,075,739
Program Service Revenue	92,543	-	-	92,543
Interest Income	84	-	-	84
Change in Net Assets of the Foundation	19,772	-	-	19,772
Miscellaneous	3,965	-	-	3,965
	1,244,107	-	-	1,244,107
Total Support and Revenue				
Net Assets Released From Restrictions	-	-	-	-
Total Unrestricted Revenues and Support	1,244,107	-	-	1,244,107
EXPENSES				
Program Services	1,059,553	-	-	1,059,553
Management and General	132,952	-	-	132,952
	1,192,505	-	-	1,192,505
Total Expenses				
Changes in Net Assets	51,602	-	-	51,602
Net Assets - Beginning of Year	820,236	-	1,219,210	2,039,446
Net Assets - End of Year	\$ 871,838	\$ -	\$ 1,219,210	\$ 2,091,048

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 44,600	\$ -	\$ -	\$ 44,600
1,033,156	-	-	1,033,156
85,068	-	-	85,068
103	-	-	103
97,466	-	-	97,466
6,422	-	-	6,422
1,266,815	-	-	1,266,815
-	-	-	-
1,266,815	-	-	1,266,815
1,009,534	-	-	1,009,534
130,097	-	-	130,097
1,139,631	-	-	1,139,631
127,184	-	-	127,184
693,052	-	1,219,210	1,912,262
<u>\$ 820,236</u>	<u>\$ -</u>	<u>\$ 1,219,210</u>	<u>\$ 2,039,446</u>

The ARC of Louisiana
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES
(See Notes to Financial Statements)
For the Years Ended June 30, 2017 and 2016

	2017			
	Program Services	Management and General	Fundraising	Total
EXPENSES				
Conventions	\$ 52	\$ 3,605	\$ -	\$ 3,657
Depreciation and Amortization	1,022	305	-	1,327
Direct Program Services	786,740	-	-	786,740
Dues and Subscriptions	-	7,180	-	7,180
Employee Benefits	29,017	8,667	-	37,684
Insurance Expense	-	1,266	-	1,266
Janitorial Services	563	563	-	1,126
National Convention	-	-	-	-
Meetings	-	1,145	-	1,145
Miscellaneous	2,975	971	-	3,946
Payroll Taxes	13,454	4,018	-	17,472
Postage	332	105	-	437
Professional Services	24,077	16,034	-	40,111
Rental Expense	22,402	22,139	-	44,541
Repairs and Maintenance	3,154	3,447	-	6,601
Salaries	166,424	49,709	-	216,133
Supplies and Printing	1,136	1,631	-	2,767
Telephone	2,459	3,457	-	5,916
Training	-	-	-	-
Travel	2,276	5,240	-	7,516
Utilities	3,470	3,470	-	6,940
	\$ 1,059,553	\$ 132,952	\$ -	\$ 1,192,505

2016

Program Services	Management and General	Fundraising	Total
\$ 657	\$ 4,082	\$ -	\$ 4,739
1,497	447	-	1,944
741,800	-	-	741,800
15	7,432	-	7,447
22,476	6,714	-	29,190
-	1,347	-	1,347
643	643	-	1,286
-	64	-	64
-	1,542	-	1,542
224	692	-	916
12,721	3,800	-	16,521
517	115	-	632
32,901	15,639	-	48,540
22,147	22,146	-	44,293
4,522	4,690	-	9,212
157,960	47,182	-	205,142
1,895	2,306	-	4,201
2,286	2,803	-	5,089
226	300	-	526
3,779	4,885	-	8,664
3,268	3,268	-	6,536
<u>\$ 1,009,534</u>	<u>\$ 130,097</u>	<u>\$ -</u>	<u>\$ 1,139,631</u>

The ARC of Louisiana
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS
(See Notes to Financial Statements)
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 51,602	\$ 127,184
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	1,327	1,944
Change in Beneficial Interest of Foundation	(19,772)	(97,466)
(Increase) Decrease in Operating Assets:		
Contracts Receivable	59,700	(32,464)
Due from the Foundation	(14,435)	827
Receivables - Other	2,079	(4,313)
Prepaid Expenses	3,967	(4,057)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Other Accrued Liabilities	1,916	(11,063)
Net Cash Provided by (Used in) Operating Activities	<u>86,384</u>	<u>(19,408)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments Received from Affiliated Chapter	27,500	35,500
Purchases of Furniture and Equipment	-	(1,326)
Net Cash Provided by Investing Activities	<u>27,500</u>	<u>34,174</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	113,884	14,766
BEGINNING CASH AND CASH EQUIVALENTS	<u>309,946</u>	<u>295,180</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 423,830</u></u>	<u><u>\$ 309,946</u></u>

THE ARC OF LOUISIANA
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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

Nature of Activities - The Arc of Louisiana (the Organization) is an organization that advocates with and for all people with intellectual and developmental disabilities and their families so that they shall live to their fullest potential.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily Restricted Net Assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. There were no temporarily restricted net assets as of June 30, 2017 and 2016.

Permanently Restricted Net Assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The majority of the beneficial interest in the Foundation is permanently restricted as of June 30, 2017 and 2016.

Revenue Recognition – Support and revenue received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any restrictions.

Donated Assets – Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. There were no donated assets for the years ended June 30, 2017 and 2016.

Donated Services – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. A significant portion of the Organization's functions are conducted by unpaid volunteers. There were no donated services for the years ended June 30, 2017 and 2016.

THE ARC OF LOUISIANA
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Property and Equipment – Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. There were no donated property and equipment for the years ended June 30, 2017 and 2016.

Estimates – Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Contract Receivable – Contracts receivable represents amounts owed to the Organization for costs incurred under various contracts which are reimbursable to the Organization. Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contracts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2017 and 2016.

Furniture and Equipment – All acquisitions of furniture and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Furniture and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of furniture and equipment is computed using the straight-line method based upon the estimated useful lives of the assets, which range from 3 to 7 years. Depreciation expense was \$1,327 and \$1,944 for the years ended June 30, 2017 and 2016.

Membership Dues – The Organization receives membership dues from 20 Arc chapters throughout Louisiana. These dues are recognized as revenue in the applicable membership period.

Advertising – The Organization uses advertising to promote its programs. The costs of advertising are expenses as incurred. During the years ended June 30, 2017 and 2016, advertising expense was \$2,975 and \$0.

Functional Allocation of Expenses – The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

THE ARC OF LOUISIANA
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Income Taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. The Organization has no unrelated business income for the fiscal years ended June 30, 2017 and 2016. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse on the Organization’s financial condition, results of operations, or cash flows. The Organization’s tax returns are subject for review for the years ended June 30, 2014, 2015, and 2016.

NOTE 2: NOTE RECEIVABLE - AFFILIATED CHAPTER

The Organization advanced an affiliated chapter of the Organization \$63,000 during the year ended June 30, 2015. The affiliated chapter repaid \$27,500 and \$35,500 during the years ended June 30, 2017 and 2016, respectively. The note was non-interest bearing and has no maturity date.

NOTE 3: BENEFICIAL INTEREST IN THE ARC OF LOUISIANA FOUNDATION

The Organization has a beneficial interest in the Arc of Louisiana Foundation (the Foundation). The Organization recognizes the beneficial interest in the Foundation using the equity method of accounting. As of June 30, 2017 and 2016, the beneficial interest in the Foundation was \$1,565,654 and \$1,545,882, respectively.

The activity in the beneficial interest in the Foundation consisted of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance at Beginning of Year	\$ 1,545,882	\$ 1,448,416
Add: Support and Revenue	94,285	159,231
Less: Operating Expenses	(74,513)	(61,765)
Balance at End of Year	<u>\$ 1,565,654</u>	<u>\$ 1,545,882</u>

THE ARC OF LOUISIANA
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 3: BENEFICIAL INTEREST IN THE ARC OF LOUISIANA FOUNDATION (CONTINUED)

The donor-restricted endowment funds are measured at fair value and are considered level 3 on the fair value hierarchy. The following table sets forth a summary of changes in the fair value of the level 3 assets for the year end June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance at Beginning of Year	\$ 1,222,669	\$ 1,116,629
Add: Support and Revenue	54,432	122,975
Less: Operating Expenses	<u>(25,349)</u>	<u>(16,935)</u>
Balance at End of Year	<u>\$ 1,251,752</u>	<u>\$ 1,222,669</u>

For the years ended June 30, 2017 and 2016, \$1,219,210 is permanently restricted for each year based on the terms of the donor-restricted endowment received by the Foundation. The endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return consisting of 60% stocks, 30% bonds, and 10% alternative-hedged strategies. Appropriation of the endowment assets for spending shall require a two-thirds favorable vote of both the Foundation Board and the Organization's Board. The Organization received \$0 and \$0 in distributions for the years ended June 30, 2017 and 2016, respectively.

NOTE 4: LEASES

The Organization committed to a lease for a copier in September 2013 for 60 months. Future minimum lease payments consist of the following as of June 30, 2017:

2018	<u>\$ 1,800</u>
Total	<u>\$ 1,800</u>

Equipment rental expense for the years ended June 30, 2017 and 2016 was \$8,541 and \$8,293, respectively.

NOTE 5: PENSION CONTRIBUTION

The Organization offers its employee the opportunity to enroll in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. This plan allows employees, at their option, to make contributions using payroll deductions. The Organization contributes 6% of the employee's eligible compensation. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Total plan expenses for the years ended June 30, 2017 and 2016 were \$11,350 and \$9,238, respectively.

NOTE 6: RESTRICTIONS ON NET ASSETS

The Organization's board of directors has not chosen to place any limitations on unrestricted net assets.

Permanently restricted net assets at June 30, 2017 and 2016 are restricted to the terms of an endowment received by the Foundation (See Note 3).

THE ARC OF LOUISIANA
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 7: RELATED PARTY TRANSACTIONS

The Organization and the Arc of Louisiana Foundation (the Foundation) are affiliated organizations. Some board members of the Organization also serve on the board of the Foundation. The Foundation owns the facility in which the organizations share office space and accounting personnel. The Organization includes \$36,000 in rental expense for each of the years ended June 30, 2017 and 2016. There is no lease on the facility as the organizations periodically determine an agreed upon annual rent.

The Organization recorded donations from the Foundation of \$36,000 for each of the years ended June 30, 2017 and 2016.

In addition, the Organization and the Foundation share the costs of some joint activities. The types of expenses that are incurred by both organizations include salaries, payroll taxes, insurance, office supplies, telephone, postage, and printing. The organizations allocate expenses based on actual costs and an estimate of usage. The Arc of Louisiana recognized \$6,000 of income from the Foundation for these joint costs for each of the years ended June 30, 2017 and 2016.

As of June 30, 2017 and 2016, the Organization has a receivable from the Foundation of \$21,372 and \$6,937, respectively. The Organization paid for \$6,435 in primarily insurance, audit, and maintenance and repair expenses for the Foundation. The Organization paid \$12,000 of donations on behalf of the Foundation to two Arc chapters. The Arc received payments during 2017 of \$10,000 and \$7,161 representing expense reimbursements from the Foundation for June 30, 2017 and 2016, respectively.

NOTE 8: CONCENTRATIONS

Custodial Credit Risk – The Organization maintains its cash balances in two financial institutions located in Baton Rouge, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At various times of the year, the Organization may have cash in banks in excess of these federally insured amounts.

Revenue – During the years ended June 30, 2017 and 2016, the Organization received approximately 75% and 70%, respectively, of its total revenue from one contract.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2017, the date the financial statements were available to be issued, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

The ARC of Louisiana
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS, AND OTHER PAYMENTS TO
AGENCY HEAD, POLITICAL SUBDIVISION HEAD, OR CHIEF EXECUTIVE OFFICER
(See Independent Auditors' Report)
Year Ended June 30, 2017

Agency Head: Kelly Monroe, Executive Director

Agency head's compensation was funded 100% by operating revenues other than state generated funds.

Board Members were not paid in non-employee or employee compensation for attending board meetings.



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

To the Board of Directors of
The Arc of Louisiana
Baton Rouge, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The ARC of Louisiana (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arc of Louisiana'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This 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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 12, 2017



TWRU
CPAs & Financial Advisors

THE ARC OF LOUISIANA
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

SUMMARY OF AUDITORS' REPORTS

Financial Statements:

Type of report issued the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Opinion

Internal Control over Financial Reporting:

Material Weakness(es) Identified

No

Significant Deficiency(ies) Identified

No

Noncompliance Material to Financial Statements Noted

No

FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None reported.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2017

None reported.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of The Arc of Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by The Arc of Louisiana (Entity), a non-profit organization, 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, 2016 through June 30, 2017. The Entity'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 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

Exception: Written policies and procedures did not address budgeting.

Management's Response/Corrective Action: The accounting manual has been updated to include this procedure.

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.

No Exceptions Noted.

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

No Exceptions Noted.

d) **Receipts**, including receiving, recording, and preparing deposits

No Exceptions Noted.

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

No Exceptions Noted.

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

Exception: Written policies and procedures did not specifically address contracts, although they did address grants.

Management's Response/Corrective Action: Policies and procedures have been updated to include contract processes.

- 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

No Exceptions Noted.

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

No Exceptions Noted.

- 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.

Not Applicable to Nonprofits.

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

Not Applicable to Nonprofits.

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.

No Exceptions Noted.

- 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).

No Exceptions Noted.

- 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.

No Exceptions Noted.

Bank Reconciliations

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

No Exceptions Noted.

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. 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;

No Exceptions Noted.

- 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

Exception: The bank reconciliations showed no sign of review, however five out of the twelve bank statements of three out of the four bank accounts tested were initialed by the Executive Director.

Management's Response/Corrective Action: Internal processes have been updated to include a review of the bank reconciliation by the Executive Director.

- 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.

Exception: No documentation was available to reflect that items outstanding for more than six months were researched.

Management's Response/Corrective Action: Internal processes have been updated to include a semi-annual review of the outstanding items.

Collections

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

No Exceptions Noted.

6. 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.

Exception: The person responsible for collecting cash also deposits cash in the bank and is not bonded. The contracted CPA is responsible for recording and reconciling the deposits.

Management's Response/Corrective Action: A bond had been obtained for the Executive Director, as well as the Office Manager.

- 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.

No Exceptions Noted.

- c) 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.

Exception: The entity does not maintain daily collection documentation, therefore we were not able to verify the number of days between receipt and deposit of cash/checks.

Management's Response/Corrective Action: A daily collection report has been implemented to record funds as received. The organization maintains a weekly deposit schedule.

- 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.

Exception: Entity does not maintain daily collection documentation to support cash/check collections.

Management's Response/Corrective Action: A daily collection report has been implemented to record funds as received.

7. 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.

Exception: There was no written documentation regarding a process specifically designed to determine the completeness of collections for each revenue source.

Management's Response/Corrective Action: A revenue recognition policy has been updated as part of the existing accounting manual. The update addresses the completeness of collections from all revenue sources.

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.

No Exceptions Noted.

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.

Exception: Policies and procedures state that the entity does not require the use of purchase orders due to the limited number of staff.

Management's Response/Corrective Action: Due to the Agency size, the use of a requisition/purchase order system would be cost prohibitive.

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

See exception above.

- 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.

Exception: One of the twenty-five disbursements tested did not have an approved invoice before payment was processed.

Management's Response/Corrective Action: The invoice mentioned above was oversight. The payment was approved by the Executive Director as recognized by her signature on the check. Management continues to review each payment as processed.

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.

Exception: The contracted CPA is responsible for both processing payments and adding vendors to the entity's disbursement system.

Management's Response/Corrective Action: Agency size and dependence on contracted CPA prohibits the organization from segregating those duties.

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.

No Exceptions Noted.

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.

Exception: The supply of unused checks is maintained in a locked drawer with access limited to the CPA, who does not have signatory authority, and the Executive Director, who does have signatory authority. However, the Executive Director does not have access to print checks from the disbursement system.

Management's Response/Corrective Action: Executive Director has access to locked check drawer in the event of an emergency. However, the Executive Director does not have access to the financial management software to initiate check writing.

13. 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.

No Exceptions Noted.

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.

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.)]

Exception: The monthly statement was reviewed by the Executive Director who is also an authorized card holder.

Management's Response/Corrective Action: Agency size prohibits segregation of these duties; however, statement is first reviewed by Office Manager for approval of payment and verification of charges and then by contracted CPA for payment. While the Executive Director has official approval, the statement is reviewed by several others prior to payment.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.
No Exceptions Noted.

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)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No Exceptions Noted.

- 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.

No Exceptions Noted.

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.

No Exceptions Noted.

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.

No Exceptions Noted.

- 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.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Exception: Written policies and procedures require travel requests for in and out of state travel, but this was found to not be implemented.

Management's Response/Corrective Action: Policy manual has been updated to reflect actual policy.

- 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.

Exception: Travel reimbursements to the Executive Director were reviewed by the Executive Director.

Management's Response/Corrective Action: Internal processes have been updated to include a board member signature prior to reimbursement to the Executive Director.

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.

No Exceptions Noted.

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.

No Exceptions Noted.

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

Not Applicable, entity did not solicit quotes.

- 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.

No Exceptions Noted.

- 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.

No Exceptions Noted.

- 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).

Not Applicable.

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:

- 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.

No Exceptions Noted.

- 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.

Exception: There was no written policy concerning pay rate changes to compare with changes made during the year. Pay rate changes are emailed from the Executive Director to the CPA who then prints the email and places it in the employees file folder.

Management's Response/Corrective Action: Policy manual has been updated to reflect actual 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).

No Exceptions Noted.

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

No Exceptions Noted.

- 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.

No Exceptions Noted.

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.

No Exceptions Noted.

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 to Non-Profits.

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 to Non-Profits.

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 to Non-Profits.

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 to Non-Profits.

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 to Non-Profits.

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.

No Exceptions Noted.

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.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No Exceptions Noted.

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

No Exceptions Noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Respectfully Submitted,

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 12, 2017