

ADAPT, INC.

Bogalusa, Louisiana

**Financial Statements
For the Year Ended
December 31, 2018**

MINDA B. RAYBOURN

Certified Public Accountant

820 11TH AVENUE
FRANKLINTON, LOUISIANA 70438

Adapt, Inc.
Bogalusa, Louisiana

Financial Statements
As of and for the Year Ended
December 31, 2018
With Supplemental Information Schedule

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Minda B. Raybourn
Certified Public Accountant
Limited Liability Company

820 11th Ave
Franklinton, LA 70438
985-839-4413 (Telephone)
985-839-4402 (Fax)

Member
AICPA

Member
LCPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Adapt, Inc.
Bogalusa, LA

I have audited the accompanying financial statements of Adapt, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. 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 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 Adapt, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of board members and schedule of compensation, benefits, and other payments paid to the agency 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 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 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 reported dated June 30, 2019 on my consideration of Adapt, Inc.'s internal control over financial reporting and on my tests of its compliance with certain laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adapt Inc.'s internal control over financial reporting and compliance.

Minda Raybourn

Franklinton, LA
June 30, 2019

ADAPT, INC.
Statement of Financial Position
As of December 31, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 160,684
Grant receivables	159,601
Property and equipment, net	<u>235,411</u>

Total Assets	<u>555,696</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Payroll payable	2,992
Note payable	<u>50,000</u>

Total Liabilities	<u>52,992</u>
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Net Assets:

Without donor restrictions	<u>502,704</u>
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Total Net Assets	<u>502,704</u>
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Total Liabilities and Net Assets	<u>\$ 555,696</u>
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The accompanying notes are an integral part of these financial statements.

ADAPT, INC.

Statement of Activities

For the year ended December 31, 2018

Functions/Programs	Without donor restrictions			Increase/ (Decrease)
	Expenses	Grants Revenues	In-Kind Services	
Federal and State Grant Activity				
Victim's Assistance Program	\$ 389,871	\$ 301,945	\$ 75,875	\$ (12,051)
Partnership for Success	84,668	94,573	-	9,905
Sexual assault program	12,985	13,631	-	646
Sexual assault service program	19,440	20,343	-	903
Rape prevention education	1,025	(395)	-	(1,420)
Drug Free Communities	111,397	118,565	-	7,168
Heart Ahead Heart Smart	27,960	39,100	-	11,140
Addictive disorder/Life Skills Training	50,199	98,501	-	48,302
Total Federal and State Grant Activity	697,545	686,263	75,875	64,593
General Revenues				
Drug screening fees				24,664
Counseling fees				9,431
Rent				3,360
United Way proceeds				25,000
Donations				6,827
Take Back the Night				1,611
Interest Income				997
Other Revenue				3,107
Total Unrestricted Revenue				74,997
Expenses				
Drug screening expenses				13,974
Other				28,210
Consultant expenses				23,341
Total Expenses				65,525
Change in Net Assets				74,065
Net Assets, Beginning				428,639
Net Assets, Ending				\$ 502,704

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

ADAPT, INC.

Statement of Cash Flows

For the year ended December 31, 2018

Cash Flows From Operating Activities	
Change in Net Assets	\$ 74,065
Adjustments to Reconcile Operating Income to Net Cash	
Flows From Operating Activities:	
Depreciation	454
Increase in Grants Receivable	(47,029)
Increase in Payroll Tax Payable	431
Net Cash Flows From Operating Activities	<u>27,921</u>
Cash Flows from Investing Activities	
Purchase of fixed assets	(235,865)
Net Cash Used in Investing Activities	<u>(235,865)</u>
Cash Flows from Financing Activities	
Proceeds from bank loan	50,000
Net Cash Flows from Financing Activities	<u>50,000</u>
Net Change in Cash and Cash Equivalents	(157,944)
Cash and Cash Equivalents - Beginning of Year	<u>318,628</u>
Cash and Cash Equivalents - End of Year	<u>\$ 160,684</u>

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

ADAPT, INC.

Statement of Functional Expenses

For the year ended December 31, 2018

	Program Services	Management & General	Total
Salaries & Payroll Taxes	292,159	-	292,159
Payroll Taxes	26,808	-	26,808
Advertising	253	-	253
Bank Charges	-	127	127
Bookkeeping	8,721	-	8,721
Consultants	97,734	5,260	102,994
Counselors (In Kind)	75,875	-	75,875
Crisis Line/Escort	14,541	-	14,541
Contractual	2,587	-	2,587
Depreciation	-	454	454
Drug Screening	12,574	-	12,574
Dues/ & Subscriptions	1,837	-	1,837
Liability Insurance	5,747	5,000	10,747
Small Equipment	16,195	-	16,195
Maintenance of Property	5,432	-	5,432
Meetings	1,256	-	1,256
Operating Services	4,727	885	5,612
Rent	14,244	-	14,244
Supplies	87,339	1,145	88,485
Take Back the Night	1,696	-	1,696
Telephone	12,018	-	12,018
Travel	41,218	169	41,387
Utilities	7,754	-	7,754
Worker's Compensation Insurance	-	12,280	12,280
Wellness	6,285	-	6,285
Stipends	750	-	750
Total	<u>737,752</u>	<u>25,320</u>	<u>763,072</u>

The accompanying notes are an integral part of these financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporation and Nature of Activities

Adapt, Inc. (the "Organization") is a Louisiana non-profit corporation formed on July 22, 1994. The Organization's purpose is to provide education and out-patient therapy and assessments in the area of substance abuse; to provide education, out-patient therapy and assessments to victims of sexual assault; to provide general mental health and social services through collaboration, coordination, education, assessment, and intervention, and to enter into any lawful business activity which corporations organized under Revised Statute 12:201 et seq. engage, either for its own account or on behalf of others as an agent.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting based on accounting principles generally accepted in the United States. Under these standards, the Organization is required to report its financial position and activities in two classes. The classes of net assets are as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization. or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Revenue Recognition

The Organization receives the majority of its funding through federal grants which are passed through local state agencies. Revenue from grants is recognized at the time that the underlying expenses which are reimbursable according to the terms of the grant are incurred.

Adapt, Inc.
Notes to Financial Statements
December 31, 2018

The Organization also provides services on a fee for service basis. These services include drug screening and counseling. Revenue from such services is recognized at the time the services are provided to the client.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all short-term debt securities with maturity of three months or less to be cash equivalents.

Grant Receivables

Grant receivables represent amounts due for reimbursement of expenses which had been incurred by the Organization as of December 31, 2018, which were reimbursable under federal grants, and which had not been reimbursed to the Organization as of December 31, 2018.

In-Kind Donations

The Organization received professional services and other services of \$75,875 for the year ended December 31, 2018. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind on the accompanying statements of activities and functional expenses.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among animal services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on the grant's activities.

Income Taxes

The Organization is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Section 501(c)(3) of the Internal Revenue Code and R.S. 12:201 of Louisiana Statutes. Accordingly, the Organization has not provided any provision for income taxes in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates

Adapt, Inc.
Notes to Financial Statements
December 31, 2018

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

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

NOTE 2: AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets as of December 31, 2018:

Financial assets at year end:	<u>2018</u>
Cash and cash equivalents	\$ 160,684
Grant receivable	159,601
Investments	-
Total financial assets	<u>320,285</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	-
Less net assets with purpose restrictions to be met in less than a year	<u>159,601</u>
	<u>159,601</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 160,684</u>

The Organization’s goal is to generally maintain financial assets to meet 90 days of operating expenses.

NOTE 3: CASH AND CASH EQUIVALENTS

The Corporation’s cash equivalents at December 31, 2018 were comprised of demand deposits in the amount of \$160,684. These deposits are stated at cost, which approximates market. Under state law these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities

Adapt, Inc.
Notes to Financial Statements
December 31, 2018

owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must all time equal the amount on deposit with the fiscal agent. At December 31, 2018 the Corporation has \$176,383 in deposits (collected bank balance). These deposits are secured from risk by federal deposit insurance up to \$250,000.

NOTE 4: GRANTS RECEIVABLE

The Corporation's receivables consist of reimbursements due for federal grant expenditures. Amounts due as of December 31, 2018 were as follows:

Sexual Assault Counselor Program	\$	4,848
Kids Don't Gamble		6,550
Life Skills Training		27,805
Partnership for Success		12,450
Sexual Assault Services		5,457
Victim's Assistance Program		100,407
United Way		2,084
		<u>159,601</u>

NOTE 5: FIXED ASSETS

In December 2018, the Organization purchased the building and property it had been leasing since July 1, 2017. The purchase price was \$235,865. The Organization paid \$185,865 while securing the remaining \$50,000 with proceeds. The Organization recorded one month of depreciation of \$454 using the straight line method. The amount recorded for the property net of depreciation is \$235,411.

NOTE 6: LONG TERM DEBT

As described in Note 5, the Organization purchased the building and property located it had been leasing for \$235,865. Of this amount, the Organization obtained loan proceeds of \$50,000 from Capital One Bank to secure the property. The loan will be paid in monthly installments of \$990 starting January 12, 2019 and ending on December 12, 2023. The interest rate is 6.90%.

Adapt, Inc.
Notes to Financial Statements
December 31, 2018

Future loan payments are outlined in the following table:

	<u>Principal</u>	<u>Interest</u>
2019	8,673	3,179
2020	9,291	2,561
2021	9,953	1,900
2022	10,662	1,191
2023	11,421	431
	<u>50,000</u>	<u>9,262</u>

NOTE 7: LEASE

On July 1, 2017, the Corporation entered into a new 2 year lease agreement for the property located at 216 Memphis Street, Bogalusa, Louisiana. Payments required under this lease are \$1,200 per month for 24 months and will terminate on June 30, 2018. The lease agreement was renewable for an additional two year term commencing July 1, 2018. In December 2018, the Organization purchased the building and property from the lessor as described in Note 5.

NOTES: SCHEDULE OF FEDERAL GRANT AWARDS

Grants from governmental agencies include the following for the year ended December 31, 2018:

Adapt, Inc.
Notes to Financial Statements
December 31, 2018

	Federal Expenditures
<u>FEDERAL GRANTS</u>	
United States Department of Health and Human Services	
Substance Abuse and Mental Health Services	
Drug Free Communities	111,397
Louisiana Department of Health & Hospitals	
Rape Prevention Education	1,025
Florida Parishes Human Services Authority	
Addictive Disorder Services	
Partnerships for Success	84,668
Life Skills Training	41,933
Addictive Disorder	8,265
United States Department of Justice	
Louisiana Commission on Law Enforcement	
Sexual Assault Counselor	19,440
Victim's Assistance Program	313,996
Sexual Assault Service Program	12,985
Total Federal Grant Expenditures	<u>\$ 593,709</u>

NOTE 6: SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through June 30, 2019, the date the financial statements were available for issuance and these financial statements considered subsequent events through such date. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2018.

ADAPT, INC.

Schedule of Board Members

For the year ended December 31, 2018

	TERM
Effice Clayton, President 58428 Jake Talley Road Bogalusa, LA 70427 985-516-5355	1/1/18-12/31/18
Erin Killingworth, Vice President 1403 North Avenue Bogalusa, La 70427 985-281-2232	1/1/18-12/31/18
Dana Dodds, Secretary 1318 Settlers Drive Bogalusa, La 70427 985-516-1223	1/1/18-12/31/18
Michelle Knight, Treasurer 64284 Foster Town Road Angie, La. 70426 985-516-4520	1/1/18-12/31/18
Allenda Pigott, Member Hamp Pigott Road Bogalusa, La. 70427 985-516-7335	1/1/18-12/31/18
Charlette Fornea, Chief Executive Officer 25705 Coleman Street Angie, La. 70426 985-735-0322	1/1/18-12/31/18

Board Members are re-elected each year and receive no compensation.

See independent auditor's report.

ADAPT, INC.

Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2018

Agency Head: Charlotte Fornea, Director

Salary	80,320
Benefits-Social Security and Medicare	6,144
Travel	<u>4,433</u>
Total	<u><u>90,897</u></u>

See independent auditor's report.

Minda B. Raybourn
Certified Public Accountant
Limited Liability Company
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Member
AICPA

Member
LCPA

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 of
Adapt, Inc.
Bogalusa, LA

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 Adapt, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements 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 June 30, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Adapt, Inc.'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 Adapt, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Adapt, Inc.'s internal control.

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

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 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 Adapt, Inc.'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 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.

Minda Raybourn

Franklinton, LA
June 30, 2019

Schedule of Findings and Responses

Adapt, Inc.

Bogalusa, LA

For the year ended December 31, 2018

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over reporting:

Material weaknesses identified? No

Significant deficiencies identified? No

Noncompliance material to the financial statements noted? No

Federal Awards

The organization did not receive federal awards in excess of \$750,000 during the year ended December 31, 2018, and therefore is exempt from the audit requirements under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (uniform guidance).

Schedule of Findings and Responses
Adapt, Inc.
Bogalusa, LA

For the year ended December 31, 2017

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over reporting:

 Material weaknesses identified? No

 Significant deficiencies identified? No

Noncompliance material to the financial statements noted? Yes

Federal Awards

The organization did not receive federal awards in excess of \$750,000 during the year ended December 31, 2017, and therefore is exempt from the audit requirements under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (uniform guidance).

Schedule of Findings and Responses
Adapt, Inc.
Bogalusa, LA

For the year ended December 31, 2017

Compliance Finding 2017-1 Late Submittal of Report

Criteria: The audit report must be submitted to the Louisiana Legislative Auditor no later than six months after the close of the entity's fiscal year.

Condition: Adapt, Inc.'s audit report was submitted past the statutory due date. The organization's deadline is June 30, 2017.

Cause of Condition: The major cause was the auditor needed additional time to reconcile grant revenues and expenditures.

Effect: Adapt, Inc.'s audit report was submitted during July 2018 causing the report to be late.

Recommendation: The organization will strive to get the year-end reconciliations completed for the auditor on an earlier timeline next year.

Management's Response: We agree with the auditor's recommendation.

Status: Resolved.

Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

820 11th Avenue

Franklinton, Louisiana 70438

(985) 839-4413

Fax (985) 839-4402

MEMBER
A.I.C.P.A.

MEMBER
L.C.P.A.

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Adapt, Inc.
216 Memphis St.
Bogalusa, LA 70427
And the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Adapt, Inc. (Entity) 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 January 1, 2018 through December 31, 2018. 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - 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.

- c) **Disbursements**, including processing, reviewing, and approving
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The entity has policies for a through h. Ethics and debt service are not applicable to the entity.

Board or Finance Committee

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

The board meets quarterly.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

The minutes did not reference actual to budget comparisons.

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

Not applicable.

Bank Reconciliations

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

A listing of bank accounts and management's representation were obtained.

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

Bank reconciliations are prepared monthly.

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

The external accountant reviews the bank reconciliations.

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

There were two checks older than 12 months outstanding for \$1,054.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites and management's representation were obtained.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

There is one collection location.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

There is one cash drawer which is shared.

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

There is a person responsible for collecting cash. There is a separate person who prepares and makes the bank deposit.

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

There is one person who collects cash. There is a separate person responsible for posting collection entries to the general ledger.

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

The entity uses an external accountant who assists in reconciling cash collections to the general ledger by revenue source.

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

There is no coverage for bond or insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted for steps a through e.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Locations that process payments and management's representation were obtained.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

The program director can initiate a purchase request and place the order or make the purchase. The executive director approves the purchase.

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

The program director processes the payments. The executive director approves the payments.

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

The program director who processes the payments can add or modify vendor files. Any new vendors are approved by the executive director.

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

Once the checks are signed, they are mailed the same day.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's

representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

The non-payroll disbursement transaction population and management's representation were obtained.

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

No exceptions noted.

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

No exceptions noted.

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

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

A listing and management's representation were obtained.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

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

The program director will review the receipts with the statement. She will prepare the payment and the executive director will pay online.

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

No exceptions noted.

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

There was one charge for \$65.97 that was not detailed on the receipt. There was one meal charge for \$91.75 that did not have documentation as to who participated in the meal.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

A listing of travel expense reimbursements and management's representation were obtained.

a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Per diems used for mileage were paid at \$0.57. State rates and GSA rates are \$0.54.

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

No exceptions noted.

c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

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

The program director approves reimbursements.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

A listing of contracts and management's representation were obtained.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

The contract is not subject to the public bid law.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Not applicable.

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

The contract was not amended.

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

No exceptions noted.

Payroll and Personnel

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

A listing of employees and management's representation were obtained.

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

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

Daily attendance and leave are documented.

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

The program director approves attendance and leave.

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

The program director updates the entity's leave records.

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two

employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No employees were terminated during the year.

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

No exceptions noted.

Ethics

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

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

Not applicable.

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

Not applicable.

Debt Service

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

Not applicable.

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

No exceptions noted.

Other

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

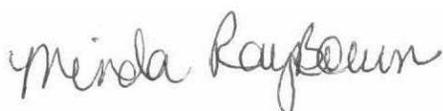
Management asserted no misappropriations occurred during the fiscal year.

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

No exceptions noted.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.



Minda Raybourn CPA
Franklinton, LA 70438

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