

EAST BATON ROUGE TRUANCY ASSESSMENT, INC.

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2019

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

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John L. McKowen
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

I have audited the accompanying financial statements of East Baton Rouge Truancy Assessment, Inc., a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Baton Rouge Truancy Assessment, Inc. as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to the agency head or chief executive officer on page 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

I have previously audited HOPE Ministries' 2018 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 31, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 24, 2019, on my consideration of East Baton Rouge Truancy Assessment, Inc.' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Baton Rouge Truancy Assessment, Inc.' internal control over financial reporting and compliance.



John L. McKowen, CPA
Baton Rouge, Louisiana
December 24, 2019

East Baton Rouge Truancy Assessment, Inc.
 Baton Rouge, Louisiana
Statement of Financial Position
 June 30, 2019
 (with comparative amounts for 2018)

ASSETS

CURRENT ASSETS	2019	2018
Cash and cash equivalents	\$ 45,889	\$ 157,390
Grants receivable	36,691	88,882
Rent receivable	24,898	-
Total current assets	107,478	246,272
PROPERTY AND EQUIPMENT, net	446,292	489,903
Total assets	\$ 533,770	\$ 736,175

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ 1,193	\$ 1,193
Accrued liabilities	24,512	225,762
Unearned revenue	100,000	-
Total current liabilities	125,705	226,955
NET ASSETS		
Without donor restrictions	428,065	509,220
Total liabilities and net assets	\$ 533,770	\$ 736,175

East Baton Rouge Truancy Assessment, Inc.
 Baton Rouge, Louisiana
Statement of Activities
 Year ended June 30, 2019
 (with comparative amounts for 2018)

REVENUE AND OTHER SUPPORT	2019	2018
Grants and contributions	\$ 874,120	\$ 864,379
In-kind contributions	445,456	584,780
Rent and utilities	175,330	79,264
Miscellaneous	250	813
Interest	20	23
Total revenue and support	1,495,176	1,529,259
EXPENSES		
Program		
Family and Youth Service Center	937,099	1,068,066
Truancy Assessment Service Center	323,966	303,215
Total program	1,261,065	1,371,281
Management and general	315,266	342,820
Total expenses	1,576,331	1,714,101
Change in Unrestricted Net Assets	(81,155)	(184,842)
NET ASSETS, Beginning of year	509,220	694,062
NET ASSETS, End of year	\$ 428,065	\$ 509,220

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019
(with comparative amounts for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (81,155)	\$(184,842)
Adjustments for non-cash items:		
Depreciation and amortization	49,474	64,225
(Increase) decrease in assets:		
Accounts and other receivables	27,293	23,875
Prepaid expenses	-	7,541
Increase (decrease) in liabilities:		
Accounts payable	-	(125,537)
Accounts payable	100,000	-
Accrued liabilities	(201,250)	187,320
	(105,638)	(27,418)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,863)	(56,280)
Net cash provided by (used in) investing activities	(5,863)	(56,280)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in line of credit	-	1
Net cash provided by (used in) financing activities	-	1
Net increase (decrease) in cash	(111,501)	(83,697)
CASH		
Beginning of year	157,390	241,087
End of year	\$ 45,889	\$ 157,390

For the years ended June 30, 2019 and June 30, 2018, East Baton Rouge Truancy Assessment, Inc. had interest expense of \$86 and \$77 respectively, and no income tax expense.

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

East Baton Rouge Truancy Assessment, Inc. (the organization) is a Louisiana non-profit organization incorporated February 21, 2001, operating in East Baton Rouge Parish, for the purpose of identifying children who have exhibited truant tendencies, assessing the causal problems for these tendencies, and providing services or referring the identified children and their families to necessary services to eliminate or alleviate the causal problems for the truant behavior.

The organization operates the following programs: Truancy Assessment Service Center (TASC) and Family and Youth Service Center (FYSC).

TASC – Designed to provide early identification, rapid assessment, and intensive truancy reduction services to at-risk students in grades kindergarten through fifth grade. The TASC program targets children that are most in need of services as well as “high-risk” schools. TASC is funded by the Louisiana Commission on Law Enforcement.

FYSC – Designed to offer services for youth and families in a convenient and caring environment, FYSC is funded by the East Baton Rouge Parish School Board, Sheriff's Office, District Attorney's Office, Mayor - President's Office and private grants.

Basis of presentation

East Baton Rouge Truancy Assessment, Inc. prepares its financial statements on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

The statement of activities presents expenses of East Baton Rouge Truancy Assessment, Inc. functionally by program services, fundraising, and management and general.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with East Baton Rouge Truancy Assessment, Inc.'s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

New accounting pronouncement

During the year ended June 30, 2019, East Baton Rouge Truancy Assessment, Inc. adopted

the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – Not-for Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 addresses the complexity and understandability of net asset classifications, the 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 between nonprofit entities. A key change required by ASU 2016-14 is the presentation of the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (See Note 9).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts, depreciation, prepaid assets, accrued liabilities and in-kind revenues.

Income tax status

East Baton Rouge Truancy Assessment, Inc. qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

East Baton Rouge Truancy Assessment, Inc. follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there is no impact to the financial statements as a result of ASC 740-10. East Baton Rouge Truancy Assessment, Inc.' open audit periods are 2017 through 2019.

Cash and cash equivalents

East Baton Rouge Truancy Assessment, Inc. considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents at June 30, 2019.

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. Management believes all accounts are collectible; therefore, an allowance has not been recorded at June 30, 2019. The organization does not require collateral for its receivables, and uses the specific identification allowance method, charging off receivables on a case

by case basis.

Property and equipment

Property is stated at cost, or fair market value if donated, and depreciated over the estimated useful lives using the straight-line method for values in excess of \$500. Maintenance and repairs expenditures are expensed as incurred.

Revenue recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants, which are considered exchange transactions, are recognized as revenue when allowable costs are incurred to provide the services specified under the terms of the grant agreements. Advances under the grants are recorded as unearned income until such time as they can be recognized as revenue.

NOTE 2 – GRANTS RECEIVABLE

At June 30, 2019, grants receivable were as follows:

	<u>Amount</u>
TRUCE Baton Rouge	\$36,691

NOTE 3 – PROPERTY AND EQUIPMENT

At June 30, 2019, property was as follows:

<u>Description</u>	<u>Amount</u>
Land	\$ 73,365
Leasehold improvements	524,673
Equipment	187,414
Parking lot	125,788
Software	43,716
	<u>954,956</u>
Less accumulated depreciation	(508,664)
	<u>\$446,292</u>

Depreciation expense for the year ended June 30, 2019 was \$49,474.

The organization purchased equipment during the year ended June 30, 2019 at a cost of \$2,883, and leasehold improvements at a cost of \$2,980.

NOTE 4 – LINE OF CREDIT

The organization has a \$20,000 revolving line of credit with a bank, of which \$1,193 was drawn as of June 30, 2019, bearing interest at 7.25% per annum, unsecured.

NOTE 5 – IN-KIND CONTRIBUTIONS

The East Baton Rouge School System and the Sheriff's Office each provide an employee on an in-kind basis. The estimated value of the in-kind contribution of the employees recognized in the statement of activities is \$97,996 for the year ended June 30, 2019 with the in-kind expenses of the same amount included in salaries.

The Louisiana Department of Education provides office space on an in-kind basis. The estimated value of the in-kind contribution of the facilities' rent recognized in the statement of activities is \$347,460 for the year ended June 30, 2019. The related in-kind expenses included in occupancy in-kind in the statement of activities is also \$347,460.

NOTE 6 – OPERATING LEASES

The organization leases a portion of the facilities that it receives in-kind from The Louisiana Department of Education to various other entities under separate, one year, noncancelable operating leases. As of June 30, 2019, all leases were on a month to month basis.

NOTE 7 – BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board, receiving no compensation or per diem.

NOTE 8 – CONCENTRATIONS

The organization receives revenue through grants and contracts administered by the State of Louisiana. The grant contract amounts are appropriated each year by the state government. If significant budget cuts were to be made at the state level, the amount of funds received by the organization could be reduced significantly by an amount that could adversely impact its operations. Management is not aware of any actions that will adversely affect the amount of grants and contracts the organization will receive in the next fiscal year.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At June 30, 2019, the organization had \$107,478 of financial assets available within one year of the statement of financial position date to meet cash needs for general and operating expenditures, consisting of cash and equivalents of \$45,889, grants receivable of \$36,691 and rent receivable of \$24,898.

As part of the organization's liquidity management plan, TASC maintains a \$20,000 line of credit, as discussed in Note 4 and is also periodically provided with a bridge loan form the East Baton Rouge Parish School System as needed.

NOTE 10 – ALLOCATION OF FUNCTIONAL EXPENSES

The Statement of Functional Expenses reports certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits and professional fees, which are allocated on the basis of estimates of time and effort.

NOTE 11 – THEFT

On August 22, 2019, the Assistant to the Executive Director and the Maintenance Supervisor of FYSC were terminated for the fraudulent editing of time logs and other violations of FYSC Policies and Procedures. Shortly after the termination, management intercepted an email from a national office supply retailer to the terminated assistant stating that the assistant's gift card charged to the FYSC account in the amount of \$25.00 was being delivered to her home address. That incident, along with the recently discovered payroll fraud, triggered a further investigation into prior dealings of both terminated individuals.

Management discovered that the assistant, who also served as payroll clerk, had given herself an unauthorized \$200 a month raise in February, 2017, and had given the Maintenance Supervisor a \$500 a month raise in September, 2018. Management further determined that over a period of several months, the assistant had received in excess of \$3,600 in merchandise, gifts and rewards from the office supply retailer. In addition, there was evidence that the assistant and the Maintenance Supervisor had each claimed excess mileage in amounts of at least \$500 and \$300 respectively.

In summary, the organization was defrauded of at least \$11,233 beginning in February, 2017 through August, 2019.

Both former employees have since been arrested by the East Baton Rouge Parish Sheriff's Office and the investigation of that office is ongoing. Management also notified the District Attorney of the 19th Judicial District. The District Attorney subsequently recused the case to the Louisiana Attorney General. As of December 24, 2019, the matter

is still pending, but management plans to seek full restitution from the two former employees.

NOTE 12 – SUBSEQUENT EVENTS

Management of East Baton Rouge Truancy Assessment, Inc. has evaluated subsequent events through December 24, 2019, the date that these financial statements were available to be issued and has determined that there are no significant subsequent events that require recognition or disclosure through that date.

John L. McKowen
Certified Public Accountant

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

Board of Directors
East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Baton Rouge Truancy Assessment, Inc., which comprise the statement of financial position as of June 30, 2019 and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 24, 2019.

Internal Control over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. I consider the deficiencies described in the accompanying schedule to be material weaknesses (2019-003, 2019-004, 2019-005.)

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule to be significant deficiencies (2019-001, 2019-2.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Baton Rouge Truancy Assessment, 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 testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



John L. McKowen, CPA

Baton Rouge, Louisiana
December 24, 2019

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2019

Significant Deficiencies

2019-001 Segregation of duties

Condition: Due to the relatively small size of the organization, ideal segregation of duties cannot be achieved. This is a repeat finding from the prior year.

Criteria: The organization should separate responsibilities for authorizing transactions, recording those transactions, and the custody of assets.

Cause: The size of the organization does not permit proper segregation of duties.

Effect: The lack of segregation of duties increases the risk of fraud related to the misappropriation of assets, financial statement misstatements, or both.

Auditor's Recommendation: While it may not be cost effective to justify implementing a full segregation of duties for an extensive system of internal control in all areas, I believe that it is important that management and those charged with governance are aware that some weaknesses exist and that they should continue to apply diligent oversight and monitoring of activities.

Management's Response: The organization has implemented all suggested safeguards. Debit card purchases are approved by the director and a board member. Bank reconciliations are performed by a bookkeeper on a monthly basis, and the reports are provided to board members at each monthly board meeting. Checks in excess of \$500 require dual signatures. Management will continue to work more efficiently and diligently with the board in providing information and documents to assist in improving oversight and monitoring of all activities.

2019-002 Automobile mileage reimbursements

Condition: Management discovered during the current year that two employees had been inflating the automobile mileage that they were claiming for reimbursement.

Criteria: The organization's policies and procedures dictate that employee mileage will be reimbursed only to the extent that it is reasonable and necessary to the mission of the organization.

Cause: Employees were not being held to standards specified in the organization's policies and procedures.

Effect: The two employees were able to fraudulently collect at least \$800 in excess mileage.

Auditor's Recommendation: Management should endeavor to prevent employees from claiming inflated mileage by holding them to the standards contained in the organization's policies and procedures.

Management's Response: In the future, employees will be required to clearly state the purpose of their travel and to attach a mapquest.com printout, or similar documentation, showing the round-trip mileage to and from their destination.

Material Weaknesses

2019-003 Recognition of loan payable

Condition: Transactions involving the bridge loan payable were not being posted to the general ledger. This is a repeat finding from the prior year.

Criteria: Transactions involving the bridge loan need to be properly recorded in order for the financial statements to be in accordance with generally accepted accounting principles.

Cause: Management is not communicating transactions involving the bridge loan account with the organization's accountant.

Effect: A \$63,000 adjustment was necessary to properly reflect the account balance at year end.

Auditor's Recommendation: Management should communicate transactions involving the bridge loan account with the organization's accountant.

Management's Response: Management will communicate transactions involving the bridge loan account with the organization's accountant.

2019-004 Purchases of supplies

Condition: Management discovered during the current year that one and possibly two employees had been purchasing supplies for their own use.

Criteria: Management should restrict employees' ability to purchase supplies for their own use.

Cause: Policies and procedures for purchasing has not been implemented.

Effect: The employee(s) were able to fraudulently take possession of approximately \$3,600 in merchandise, gifts and rewards over a period of several months.

Auditor's Recommendation: In order to prevent unauthorized purchases, policies and procedures be implemented requiring employees to receive prior approval for all purchases.

Management's Response: Management will require employees to fill out a purchase order stating what is to be purchased and the reason for the purchase, to be approved in writing by the Executive Director prior to any transaction.

2019-005 *Payroll fraud*

Condition: Management discovered during the current year that the employee responsible for payroll had given both herself and another employee unauthorized raises.

Criteria: Management needs to review payroll each period prior to disbursement.

Cause: The employee responsible for payroll was able to convince the organization's payroll service that she was authorized to communicate changes in the level of compensation for organization employees.

Effect: The payroll clerk was able to give herself and another employee unauthorized raises costing the organization approximately \$6,900 prior to discovery.

Auditor's Recommendation: I recommend that management monitor payroll each period and require its payroll service to communicate any change to the level of compensation for any employee directly to the Executive Director prior to implementing the change requested.

Management's Response: Management will monitor payroll each period and will instruct its payroll service that any change to the level of compensation for any employee can only be initiated by the Executive Director. Any adjustment to the salary of the Executive Director must be initiated by the President of the Board of Directors and have the prior approval through a vote by the Board of Directors.

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the year ended June 30, 2019

Significant Deficiencies

2018-001 Segregation of duties

Condition: Due to the relatively small size of the organization, ideal segregation of duties cannot be achieved. This is a repeat finding from the prior year.

Criteria: The organization should separate responsibilities for authorizing transactions, recording those transactions, and for the custody of assets.

Cause: The size of the organization does not permit proper segregation of duties.

Effect: The lack of segregation of duties increases the risk of fraud related to the misappropriation of assets, financial statement misstatements, or both.

Auditor's Recommendation:

While it may not be cost effective to justify implementing a full segregation of duties for an extensive system of internal control in all areas, it is important that management and those charged with governance are aware that some weaknesses exist and that they should continue to apply diligent oversight and monitoring of activities.

Management's Corrective Action Plan:

The organization has implemented all suggested safeguards. Debit card purchases are approved by the director and a board member. Bank reconciliations are performed by a bookkeeper on a monthly basis, and the reports are provided to board members at each monthly board meeting. Checks in excess of \$500 require dual signatures. Management will continue to work more efficiently and diligently with the board in providing information and documents to assist in improving oversight and monitoring of all activities.

Status: Finding repeats as 2019-001.

Material Weaknesses

2018-002 Recognition of Loan Payable

Condition: Upon review of the bridge loan payable account and inquiry of management, it was noted that the payable account was not being reviewed and the appropriate transactions were not being posted to the general ledger.

Criteria: To ensure the bridge loan payable account is properly reflected on the financial statements, the general ledger should be reviewed to determine that transactions are being properly recorded.

Cause: Management is not reviewing the bridge loan payable general ledger account.

Effect: Material adjustments to the bridge loan payable account were required.

Auditor's Recommendation:

I recommend that the bridge loan payable account be reviewed and reconciled to ensure that transactions are being properly recorded in the general ledger.

Management's Response:

Management will review and reconcile any loan payable accounts to ensure that the transactions are properly recorded in the general ledger.

Status: Finding repeats as 2019-003.

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

AGENCY HEAD NAME: Jennie Ponder, Executive Director

Salary	\$87,000
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John L. McKowen
Certified Public Accountant

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Baton Rouge, Louisiana

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES**
Year ended June 30, 2019

To the Board of Directors
East Baton Rouge Truancy Assessment, Inc.
and the Louisiana Legislative Auditor
Baton Rouge, Louisiana

I have performed the procedures enumerated below, which were agreed to by East Baton Rouge Truancy Assessment, Inc. (the organization) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2018 through June 30, 2019. The organization's management is responsible for those control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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 control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures. 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 control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures, and the results of that testing, and not to provide an opinion on control and 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.



John L. McKowen, CPA

Baton Rouge, Louisiana
December 24, 2019

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

The Organization has no written policies and procedures to address budgeting.

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

The Organization has no written policies and procedures to address purchasing.

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

The Organization has no written policies and procedures to address disbursements.

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).

The Organization has no written policies and procedures to address receipts/collections.

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

The Organization's written policies and procedures adequately address payroll/personnel.

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

The Organization has no written policies and procedures to address contracting.

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

The Organization has no written policies and procedures to address credit card usage.

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

The Organization's written policies and procedures adequately address travel and expense reimbursement.

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

Not applicable.

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

Not applicable.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Organization has no written policies and procedures to address disaster recovery/business continuity.

While the organization made significant progress in developing a comprehensive policies and procedures manual, there is still work to be done, especially in the area of internal controls, and management will continue in its efforts to refine the manual.

Board or Finance Committee

There were no exceptions in the prior year; therefore, board minutes were not tested in the current year.

- 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.
 - 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. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned

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 unassigned fund balance in the general fund.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
There was evidence for each of the Organization's bank accounts selected that reconciliations were prepared within 2 months of the related closing date.
 - 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
Evidence existed that a member of management without the above involvement reviewed the bank reconciliation.
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
The operating account had one small reconciling item outstanding for more than 12 months. Management will investigate.

Collections (excluding EFTs)

There were no exceptions in the prior year; therefore, collections were not tested in the current year.

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

- 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.
 - 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.
 - 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.
6. Inquire of management that all employees who have access to cash are covered by a 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.

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).

Management represents that there are two locations that process payments.

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.

At least two employees were often not involved in the above.

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

At least two employees were involved in processing and approving payments to vendors.

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.

Another employee is responsible for periodically reviewing changes to vendor files.

- a) 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.

An employee who is not responsible for processing payments mails the payment.

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

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

The disbursements matched the related original invoice/billing statement.

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

There was often no evidence of segregation of duties.

Management has introduced more stringent internal controls to address non-payroll disbursements since its discovery late in the year of fraudulent purchases by at least one and possibly two employees. Employees are now required to have written approval from the Executive Director prior to any purchases.

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

There were no exceptions in the prior year; therefore, credit/credit cards were not tested in the current year.

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

- b) Observe that finance charges and late fees were not assessed on the selected statements.
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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- Not applicable. Travel reimbursement was for mileage only.*
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- Not applicable.*
- 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).
- Each reimbursement was supported by documentation of the business purpose of the mileage. Upon further scrutiny, however, it became obvious that mileage had been exaggerated.*
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
- Each reimbursement was reviewed and approved in writing by someone other than the person receiving reimbursement.*

Management discovered late in the year that two of its employees had, among other offences, been inflating their mileage claimed for reimbursement. The employees have

since been terminated and employees are now required to attach mapquest.com searches to their reimbursement requests showing the actual mileage to and from their destination.

Contracts

There were no exceptions in the prior year; therefore, contracts were not tested in the current year.

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - 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).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - 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.

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.

Management discovered late in the year that one of its employees had fraudulently given herself and another employee raises. The employees have both been terminated.

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.)

There were no exceptions to the above.

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

Supervisors approved the attendance and leave of the selected employees/officials.

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

Leave accrued or taken during the pay period was reflected in the entity's cumulative 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.

Not applicable.

- 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.

Management represents 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.

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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable.

Other

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

Management represents that the listing is complete. The entity reported the theft to the District Attorney.

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.

The Organization has the notice required by R.S. 24:523.1 posted on both its premises and website.