

**THE ASSOCIATION FOR RETARDED
CITIZENS OF SABINE, INC.**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

The Association for Retarded Citizens of Sabine, Inc.
Annual Financial Report
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Association for Retarded Citizens of Sabine, Inc.
P. O. Box 1150
Many, LA 71449

Report on the Financial Statements

We have audited the accompanying financial statements of the Association for Retarded Citizens of Sabine, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association for Retarded Citizens of Sabine, Inc. as of June 30, 2017, 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 Matters

Report on Summarized Comparative Information

We have previously audited the Association for Retarded Citizens of Sabine, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Association for Retarded Citizens of Sabine, Inc. taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017, on our consideration of the Association for Retarded Citizens of Sabine, Inc.'s internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to 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 the Association for Retarded Citizens of Sabine, Inc.'s internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated November 21, 2017 on the results of our state wide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's state wide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Johnson, Thomas + Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's
Natchitoches, Louisiana

November 21, 2017

FINANCIAL STATEMENTS

The Association for Retarded Citizens of Sabine, Inc.
Statement of Financial Position
For the Years Ended June 30, 2017 and 2016

	2017			2016 Total
	Group Homes	Sheltered Workshop & Adult Habilitation	Total	
ASSETS:				
Cash	\$ 23,861	\$1,263,183	\$1,287,044	\$1,509,458
Certificates of Deposit	0	51,144	51,144	51,042
Receivables	165,509	298,327	463,836	488,467
Inventory	0	51,902	51,902	30,250
Prepaid Expenses	54,297	2,250	56,547	68,701
Deposits	220	2,010	2,230	2,230
Property, Buildings & Equipment, Net	701,273	259,703	960,976	960,638
Total Assets	\$945,160	\$1,928,519	\$2,873,679	\$3,110,786
LIABILITIES:				
Accounts payable	\$ 54,684	\$ 46,412	\$ 101,096	\$ 63,596
Payroll taxes payable	2,053	2,500	4,553	11,849
Salaries payable	20,500	21,938	42,438	136,429
Compensated Absences payable	121,170	39,207	160,377	153,484
Sales taxes payable	0	246	246	1,315
Property taxes payable	0	2,405	2,405	2,575
Total Liabilities	\$198,407	\$ 112,708	\$ 311,115	\$ 369,248
NET ASSETS:				
Unrestricted	\$746,753	\$1,815,811	\$2,562,564	\$2,741,538
Total Liabilities & Net Assets	\$945,160	\$1,928,519	\$2,873,679	\$3,110,786

See notes to financial statements.

The Association for Retarded Citizens of Sabine, Inc.
Statement of Activities
For the Years Ended June 30, 2017 and 2016

	2017			2016 Total
	Group Homes	Sheltered Workshop & Adult Habilitation	Total	
Unrestricted Net Assets:				
Support:				
Medicaid	\$2,055,366	\$ 0	\$2,055,366	\$2,031,720
Charges for services and fees	158,349	2,436,160	2,594,509	2,694,302
Rentals	0	22,980	22,980	22,980
Interest and dividends	2,277	874	3,151	2,591
Miscellaneous	390	1,317	1,707	1,943
Proceeds from sale of assets	1,500	732	2,232	1,000
Total Revenues, Gains and Other Support	<u>\$2,217,882</u>	<u>\$2,462,063</u>	<u>\$4,679,945</u>	<u>\$4,754,536</u>
Expenses:				
Program services	\$1,706,998	\$1,991,909	\$3,698,907	\$3,783,748
Management and general	<u>673,786</u>	<u>486,226</u>	<u>1,160,012</u>	<u>1,124,671</u>
Total Expenses	<u>\$2,380,784</u>	<u>\$2,478,135</u>	<u>\$4,858,919</u>	<u>\$4,908,419</u>
Deficit of Revenues over Expenses	\$ (162,902)	\$ (16,072)	\$ (178,974)	\$ (153,883)
OTHER FINANCING SOURCES (USES):				
Transfer In (Out)	<u>104,495</u>	<u>(104,495)</u>	<u>0</u>	<u>0</u>
Change in Unrestricted Net Assets	\$ (58,407)	\$ (120,567)	\$ (178,974)	\$ (153,883)
Net Assets-Beginning of Year	<u>805,160</u>	<u>1,936,378</u>	<u>2,741,538</u>	<u>2,895,421</u>
Net Assets-End of Year	<u>\$ 746,753</u>	<u>\$1,815,811</u>	<u>\$2,562,564</u>	<u>\$2,741,538</u>

See notes to financial statements.

The Association for Retarded Citizens of Sabine, Inc.
Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017			2016 Total
	Group Homes	Sheltered Workshop & Adult Habilitation	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in Net Assets	\$(58,407)	\$ (120,567)	\$ (178,974)	\$(153,883)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities-				
Depreciation	59,785	30,913	90,698	89,704
(Increase)/Decrease in operating assets				
Receivables	25,721	(1,090)	24,631	(78,437)
Inventory	0	(21,652)	(21,652)	96,089
Prepaid Expenses	(3,589)	15,743	12,154	(18,117)
Deposits	0	0	0	158
Increase/(Decrease) in operating liabilities				
Accounts payable and accruals	427	36,455	36,882	(10,709)
Payroll and payroll taxes payable	(50,180)	(51,107)	(101,287)	13,741
Compensated absences payable	10,927	(4,034)	6,893	35,569
Net Cash Used in Operating Activities	<u>\$(15,316)</u>	<u>\$ (115,339)</u>	<u>\$(130,655)</u>	<u>\$ (25,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earned on Investment	\$ 0	\$ 102	\$ 102	\$ 178
Gain on Sale of Assets	1,500	732	2,232	1,000
Purchase and construction of assets	<u>(80,817)</u>	<u>(13,276)</u>	<u>(94,093)</u>	<u>(55,042)</u>
Net Cash Used by Investing Activities	<u>\$(79,317)</u>	<u>\$ (12,442)</u>	<u>\$ (91,759)</u>	<u>\$ (53,864)</u>
Net Decrease in Cash	\$(94,633)	\$ (127,781)	\$ (222,414)	\$ (79,749)
Cash-Beginning of Year	118,494	1,390,964	1,509,458	1,589,207
Cash-End of Year	<u>\$ 23,861</u>	<u>\$1,263,183</u>	<u>\$1,287,044</u>	<u>\$1,509,458</u>

See notes to financial statements.

The Association for Retarded Citizens of Sabine, Inc.
Combined Statement of Functional Expenses
For the Years Ended June 30, 2017 and 2016

	2017			2016 Total
	Program Services	Management and General	Total	
COMPENSATION AND RELATED EXPENSES:				
Salaries	\$2,319,575	\$ 434,685	\$2,754,260	\$2,820,356
Employee Benefits	107,487	47,321	154,808	147,968
Payroll Taxes	184,027	22,556	206,583	209,865
Workman's Compensation insurance	34,235	8,430	42,665	45,778
Total Compensation and Related Expenses	<u>\$2,645,324</u>	<u>\$ 512,992</u>	<u>\$3,158,316</u>	<u>\$3,223,967</u>
OCCUPANCY EXPENSES:				
Insurance	\$ 32,644	\$ 7,091	\$ 39,735	\$ 38,475
Depreciation	39,415	6,324	45,739	45,237
Repairs and maintenance	27,769	25,984	53,753	48,313
Property taxes	5,068	0	5,068	5,034
Utilities	64,485	15,073	79,558	81,501
Total Occupancy Expenses	<u>\$ 169,381</u>	<u>\$ 54,472</u>	<u>\$ 223,853</u>	<u>\$ 218,560</u>
TRANSPORTATION EXPENSES:				
Fuel & Oil	\$ 53,554	\$ 7,348	\$ 60,902	\$ 56,679
Repairs & Maintenance	31,009	4,606	35,615	27,157
Depreciation	25,098	3,526	28,624	30,658
Insurance	26,374	8,735	35,109	33,640
Total Transportation Expenses	<u>\$ 136,035</u>	<u>\$ 24,215</u>	<u>\$ 160,250</u>	<u>\$ 148,134</u>
OTHER EXPENSES:				
Bad debts	\$ 800	\$ 0	\$ 800	\$ 6,234
Central Office expense	0	380,236	380,236	374,911
Clothing and hygiene	14,974	0	14,974	16,782
Client recreation	8,311	0	8,311	7,602
Contract services	54,023	36,823	90,846	103,713
Dues	599	11,965	12,564	11,936
Food	175,170	0	175,170	184,156
Professional fees	0	66,995	66,995	62,080
Repairs and maintenance	35,055	18,250	53,305	41,739
Insurance	4,167	21,087	25,254	26,663
Licenses	5,866	0	5,866	7,467
Provider fees	206,914	0	206,914	204,443
Supplies	208,373	23,736	232,109	239,524
Telephone	6,468	2,744	9,212	8,945
Training and travel	2,442	6	2,448	216
Depreciation	11,964	4,372	16,336	13,810
Miscellaneous	13,041	2,119	15,160	7,237
Total Other Expenses	<u>\$ 748,167</u>	<u>\$ 568,333</u>	<u>\$1,316,500</u>	<u>\$1,317,758</u>
Total Functional Expenses	<u>\$3,698,907</u>	<u>\$1,160,012</u>	<u>\$4,858,919</u>	<u>\$4,908,419</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The Association for Retarded Citizens of Sabine, Inc., (hereafter, the Association) is a quasi-governmental, nonprofit organization incorporated August 13, 1970, whose purpose is to a) promote the general welfare of the mentally retarded citizens everywhere (at home, at school, in the community, and in institutions), b) aid the parents and families of mentally retarded citizens in the solution of personal, family and social problems arising from mental retardation, c) cooperate with all public and private agencies, organizations, groups and individuals working for the welfare of mentally retarded citizens, d) promote through dissemination of information to the general public, a fuller and more sympathetic understanding of the problems of mental retardation, their wide prevalence, and consequential social implications, e) help provide facilities for evaluation, care, treatment, education and employment of mentally retarded citizens, f) research into all phases of mental retardation: the causes, prevention, medical and social treatment, special educational methods, and opportunities for employment, g) train and educate both professional and nonprofessional personnel for work in the field of mental retardation, h) serve as a clearinghouse of information concerning mental retardation and activities on behalf of the mentally retarded in Sabine Parish, i) help foster local, state and national legislation on behalf of mentally retarded citizens.

The Association operates three separate divisions. One, the Adult Habilitation Program, receives funding from the State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities to provide adult day services for at least 240 days each year. Second, the Sheltered Workshop is a self-supportive program that generates revenues through contracts with private individuals and companies for the provision of services performed by the clients of the Workshop. Third, Group Residential Services, which operates six group homes for the benefit of mentally handicapped individuals. The purpose of the group homes is to provide for the needs of mentally handicapped individuals in the area of appropriate residential living. The Community Homes receive funding from the United States Department of Health and Human Services, Medical Assistance Program, Title XIX, and Medicaid, as administered by the State of Louisiana, Department of Health and Hospitals. The Association's Community Homes division reimburses the Adult Habilitation Program for actual expenses incurred by the program to provide day training and supervision to participating group home residents.

B. Promises to Give:

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

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2017

C. **Net Assets:**

The Association has adopted Statement of Financial Accounting Standards Board ASC 958, and is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. None of the Association's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under FASB ASC 958.

D. **Estimates:**

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

E. **Property, Plant, and Equipment:**

Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. When donor stipulations are absent regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Association maintains a threshold level of \$5,000 or more for capitalizing property and equipment. Property and equipment are depreciated using the straight-line method.

F. **Contributions:**

The Association has elected to adopt FASB 958-605, "Not for Profit Entities – Revenue Recognition". Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

G. **Income Taxes:**

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Association's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

H. **Inventories:**

The Sheltered Workshop maintains inventories at the production center, the woodshop center, and car care. Inventories are stated at cost.

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2017

I. Cash and Cash Equivalents:

Consistent with FASB 95, Statement of Cash Flows, the Association defines cash and cash equivalents to include all currency on hand, demand and time deposits with banks, and highly liquid investments with maturity dates of less than three months. Cash and cash equivalents are reported at their carrying amounts that equal their fair values.

J. Basis of Accounting:

The Association uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

K. Comparative Data:

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Association's financial position and results of operations.

NOTE 2 CASH AND CERTIFICATES OF DEPOSIT

The cash and cash equivalents of the Association are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Association will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Association that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Association's name.

At June 30, 2017, the Association had cash and certificates of deposit (book balances) as follows:

Petty cash	\$ 2,000
Demand deposits	1,285,044
Certificates of deposit	<u>51,144</u>
Total cash and investments	<u>\$1,338,188</u>

Bank account balances at June 30, 2017, totaled \$1,400,160. Of this amount, \$381,740 was secured from risk by federal deposit insurance and \$1,018,420 by pledged securities.

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 3 RECEIVABLES

At June 30, 2017, the Association had receivables as follows:

Medicaid	\$421,579
Charges for services and fees	41,277
Other	<u>980</u>
Total receivables	<u>\$463,836</u>

NOTE 4 PLANT AND EQUIPMENT

All plant and equipment are stated at historical cost. Depreciation is charged as an expense against operations and has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10-30 years
Furniture and equipment	5-10 years
Automobiles	3-5 years

A summary of plant and equipment at June 30, 2017, is presented below:

	Balance 6-30-16	Additions	Deletions	Balance 6-30-17
Fixed Assets, not depreciated:				
Land	\$ 231,200	\$ 0	\$ 0	\$ 231,200
Construction in Progress	5,778	0	0	5,778
Depreciable Assets:				
Buildings and Improvements	1,317,862	10,500	0	1,328,362
Furniture and Equipment	182,927	8,799	27,687	164,039
Vehicles	375,893	74,794	61,685	389,002
Total Fixed Assets	<u>\$2,113,660</u>	<u>\$ 94,093</u>	<u>\$ 89,372</u>	<u>\$2,118,381</u>
Accumulated Depreciation	<u>1,153,022</u>	<u>90,698</u>	<u>86,315</u>	<u>1,157,405</u>
Net Fixed Assets	<u>\$ 960,638</u>	<u>\$ 3,395</u>	<u>\$ 3,057</u>	<u>\$ 960,976</u>

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in activities.

For the year ending June 30, 2017, depreciation expense totaled \$90,698, with \$59,785 charged to Group Homes and \$30,913 charged to Sheltered Workshop & Adult Habilitation.

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 5 LEASE OBLIGATIONS

The Association was not obligated under any capital or operating leases at June 30, 2017.

NOTE 6 LINE OF CREDIT

On August 25, 2012, the Association signed a loan agreement with MidSouth Bank for a \$50,000 line of credit, bearing interest at 3.0% with monthly interest payments through maturity on August 25, 2015. At June 30, 2017, the outstanding balance on the line of credit was \$0. No principal or interest payments were made on the line of credit during the year ended June 30, 2017.

NOTE 7 LITIGATION

According to management and its legal representation, the Association was not involved in any litigation as of June 30, 2017.

NOTE 8 COMPENSATED ABSENCES

The Association's employees are entitled to certain compensated absences based on their length of employment. Leave is accrued beginning on the hire date with the accrual rate as follows:

<u>Full-Time Employment</u>	<u>Days Earned Per Year</u>
0-3 Years	5
3-5 Years	6
5-10 Years	8
10-15 Years	10
More Than 15 Years	13

All unused leave time may be carried over to the next year. Due to a revision of the leave policy on January 1, 2012, all leave accrued prior to January 1, 2012 was converted into one category. When an employee separates from the Association for any reason, he or she will be paid for unused leave using the following percentages:

<u>Employment Ending</u>	<u>% of Leave Paid</u>
January 1- December 31, 2015	80%
After December 31, 2015	100%

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 8 COMPENSATED ABSENCES (continued)

The following is a summary of the compensated absences activity for the year ended June 30, 2017.

	<u>Balance</u> <u>7/1/2016</u>	<u>Increases</u> <u>(Decreases)</u>	<u>Balance</u> <u>6/30/2017</u>
Group Homes	\$110,243	\$10,927	\$121,170
Sheltered Workshop & Adult Habilitation	<u>43,241</u>	<u>(4,034)</u>	<u>39,207</u>
Total	<u>\$153,484</u>	<u>\$ 6,893</u>	<u>\$160,377</u>

NOTE 9 BOARD OF DIRECTORS

Members of the Board of Directors participate on a voluntary basis and receive no compensation for their services.

NOTE 10 RELATED PARTIES

The Association has deposits of \$1,319,564 at MidSouth Bank. The president of the Association's board of directors is also a board member of MidSouth Bank. No related party transactions were identified.

NOTE 11 RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association.

The State of Louisiana is the primary source of revenues for the Association. In the future, financial problems of the State of Louisiana may result in reduced funding. It is possible certain programs may be severely affected by these declining revenues. However, management believes changes can be incorporated into the continuing operations without a catastrophic result.

NOTE 12 DEFINED CONTRIBUTION PENSION PLAN

The Association implemented a 403(b) single-employer, defined contribution pension plan effective August 1, 2012. Benefit terms, including contribution requirements, are established and may be amended by the Association's board of directors. In accordance with the plan, the Association will match up to 4% of an eligible employee's compensation, depending on the annual budget and finances available at the time. For the year ended June 30, 2017, employee contributions totaled \$72,966 and the Association recognized pension expense of \$40,386.

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 13 INVENTORY

At June 30, 2017, the major classes of inventory were as follows:

	<u>Raw Materials</u>	<u>Finished Goods</u>	<u>Merchandise</u>	<u>Total</u>
Production Center	\$ 30,325	\$ 0	\$ 0	\$30,325
Car Care	0	0	3,800	3,800
Wood Shop	<u>9,155</u>	<u>8,622</u>	<u>0</u>	<u>17,777</u>
Total Inventory	<u>\$39,480</u>	<u>\$8,622</u>	<u>\$3,800</u>	<u>\$51,902</u>

NOTE 14 ADVERTISING

The Association expenses advertising costs as they are incurred. Advertising expenses for the years ended June 30, 2017 and 2016, were \$256 and \$129, respectively.

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 21, 2017, the date which the financial statements were available for issue, and to determine whether there were any events that require disclosure. It was noted that the Association's main building (including the business office) suffered major damage from a fire that occurred on November 7, 2017. Due to the potential loss of services provided and accounting records, this event is likely to have an impact on the future financial statements; however, an estimate of its financial effect cannot be made.

SUPPLEMENTARY INFORMATION

The Association for Retarded Citizens of Sabine, Inc.
Statement of Functional Expenses
Group Homes
Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES:			
Employee benefits	\$ 55,172	\$ 22,701	\$ 77,873
Salaries	921,863	338,868	1,260,731
Payroll Taxes	76,642	16,397	93,039
Workman's Compensation Insurance	<u>10,932</u>	<u>3,776</u>	<u>14,708</u>
Total Compensation and Related Expenses	<u>\$1,064,609</u>	<u>\$381,742</u>	<u>\$1,446,351</u>
OCCUPANCY EXPENSES:			
Insurance	\$ 15,246	\$ 2,191	\$ 17,437
Depreciation	31,401	1,955	33,356
Repairs and Maintenance	24,844	8,030	32,874
Utilities	<u>43,325</u>	<u>4,658</u>	<u>47,983</u>
Total Occupancy Expenses	<u>\$ 114,816</u>	<u>\$ 16,834</u>	<u>\$ 131,650</u>
TRANSPORTATION EXPENSES:			
Fuel & Oil	\$ 13,054	\$ 3,292	\$ 16,346
Repairs & Maintenance	9,357	2,064	11,421
Depreciation	12,261	1,580	13,841
Insurance	<u>10,260</u>	<u>3,913</u>	<u>14,173</u>
Total Transportation Expenses	<u>\$ 44,932</u>	<u>\$ 10,849</u>	<u>\$ 55,781</u>
OTHER EXPENSES:			
Bad debts	\$ 0	\$ 0	\$ 0
Central office expense	0	180,975	180,975
Clothing and hygiene	14,974	0	14,974
Client recreation	4,032	0	4,032
Contract services	53,042	16,041	69,083
Dues	0	5,361	5,361
Food	135,755	0	135,755
Professional fees	0	30,014	30,014
Repairs and maintenance	11,447	8,176	19,623
Insurance	4,167	9,069	13,236
Licenses	4,625	0	4,625
Provider fees	206,914	0	206,914
Supplies	42,597	10,430	53,027
Telephone	2,496	1,229	3,725
Travel and Training	0	3	3
Depreciation	1,901	1,958	3,859
Miscellaneous	<u>691</u>	<u>1,105</u>	<u>1,796</u>
Total Other Expenses	<u>\$ 482,641</u>	<u>\$264,361</u>	<u>\$ 747,002</u>
Total Functional Expenses	<u>\$1,706,998</u>	<u>\$673,786</u>	<u>\$2,380,784</u>

See independent auditor's report.

The Association for Retarded Citizens of Sabine, Inc.
Statement of Functional Expenses
Sheltered Workshop & Adult Habilitation
Year Ended June 30, 2017

	Program Services	Management and General	Total
COMPENSATION AND RELATED EXPENSES:			
Employee benefits	\$ 52,315	\$ 24,620	\$ 76,935
Salaries	1,397,712	95,817	1,493,529
Payroll Taxes	107,385	6,160	113,545
Workman's Compensation Insurance	<u>23,303</u>	<u>4,653</u>	<u>27,956</u>
Total Compensation and Related Expenses	<u>\$1,580,715</u>	<u>\$131,250</u>	<u>\$1,711,965</u>
OCCUPANCY EXPENSES:			
Insurance	\$ 17,398	\$ 4,899	\$ 22,297
Depreciation	8,013	4,370	12,383
Repairs and Maintenance	2,925	17,954	20,879
Property Taxes	5,068	0	5,068
Utilities	<u>21,161</u>	<u>10,415</u>	<u>31,576</u>
Total Occupancy Expenses	<u>\$ 54,565</u>	<u>\$ 37,638</u>	<u>\$ 92,203</u>
TRANSPORTATION EXPENSES:			
Fuel & Oil	\$ 40,501	\$ 4,056	\$ 44,557
Repairs & Maintenance	21,652	2,542	24,194
Depreciation	12,836	1,946	14,782
Insurance	<u>16,114</u>	<u>4,822</u>	<u>20,936</u>
Total Transportation Expenses	<u>\$ 91,103</u>	<u>\$ 13,366</u>	<u>\$ 104,469</u>
OTHER EXPENSES:			
Bad debts	\$ 800	\$ 0	\$ 800
Client recreation	4,279	0	4,279
Contract services	981	20,782	21,763
Central Office Expense	0	199,261	199,261
Dues	599	6,604	7,203
Food	39,415	0	39,415
Professional Fees	0	36,981	36,981
Repairs and Maintenance	23,608	10,074	33,682
Insurance	0	12,018	12,018
Licenses	1,241	0	1,241
Supplies	165,776	13,306	179,082
Telephone	3,971	1,515	5,486
Travel/Training	2,442	3	2,445
Depreciation	10,063	2,414	12,477
Miscellaneous	<u>12,351</u>	<u>1,014</u>	<u>13,365</u>
Total Other Expenses	<u>\$ 265,526</u>	<u>\$303,972</u>	<u>\$ 569,498</u>
Total Functional Expenses	<u>\$1,991,909</u>	<u>\$486,226</u>	<u>\$2,478,135</u>

See independent auditor's report.

The Association for Retarded Citizens of Sabine, Inc.
Board of Directors
June 30, 2017

President	Pete Abington
Vice-President	Wilton Anthony
Secretary	Vicki Sistrunk
Treasurer	Mary Hariel
Legal Counsel	John W. Pickett
Board Member	Jean Rains
Board Member	Suzette Anderson
Board Member	Gloria Ruffin
Board Member	Daniel Lowe
Board Member	Ted Fontenot

See independent auditor's report.

The Association for Retarded Citizens of Sabine, Inc.
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2017

Agency Head Name: Calvin Wayne Martinez, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$81,791
Benefits- Insurance	5,423
Benefits- Retirement	2,553
Benefits- Payroll Taxes	6,095
Car allowance	0
Cell phone	0
Dues	0
Vehicle rental	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Housing	0
Unvouchered expenses	0
Special meals	0
Other	<u>0</u>
Total	<u>\$95,862</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation
Jessica H. Broadway, CPA – A Professional Corporation
Ryan E. Todtenbier, CPA – A Professional Corporation

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Natchitoches, Louisiana 71457
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
The Association for Retarded Citizens of Sabine, Inc.
P. O. Box 1150
Many, LA 71449

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Association for Retarded Citizens of Sabine, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 our report thereon dated November 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association for Retarded Citizens of Sabine, 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association for Retarded Citizens of Sabine, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association for Retarded Citizens of Sabine, 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 Association for Retarded Citizens of Sabine, Inc.'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify two deficiencies in internal control that we consider to be significant deficiencies, described in the accompanying Schedule of Audit Findings as *Item 2017-001 – Segregation of Duties* and *Item 2017-002 – Internal Control over Expenditures*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association for Retarded Citizens of Sabine, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Association for Retarded Citizens of Sabine, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association for Retarded Citizens of Sabine, Inc.'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 Association for Retarded Citizens of Sabine, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas + Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's
Natchitoches, Louisiana

November 21, 2017

The Association for Retarded Citizens of Sabine, Inc.
Schedule of Audit Findings
Year Ended June 30, 2017

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expressed an unmodified opinion on the financial statements of the Association for Retarded Citizens of Sabine, Inc. as of and for the year ended June 30, 2017.
2. The audit disclosed two significant deficiencies in internal control which were not determined to be material weaknesses, identified as findings 2017-001 – *Segregation of Duties* and 2017-002 – *Internal Control over Expenditures*.
3. No instances of noncompliance material to the financial statements of the Association for Retarded Citizens of Sabine, Inc. were disclosed during the audit for the year ended June 30, 2017.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following findings relate to the financial statements and are required to be reported in accordance with *Government Auditing Standards*:

Internal Control-

2017-001 *Segregation of Duties*

Criteria - Adequate segregation of duties requires the critical functions of key accounting processes be assigned to and performed by more than one individual.

Condition - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties over cash receipts and payroll preparation. The receipt of funds, bank deposits and bank reconciliations are performed by the same individual. The same individual prepares and distributes the payroll checks, with no evidence of management approval.

Cause – SARC has a sufficient number of employees to adequately separate the cash receipting and payroll processing duties; however, currently these duties are assigned to only one individual.

Effect – Without adequate segregation of duties, intentional or unintentional errors could occur and not be detected, increasing the risk of loss or theft of the entity's assets.

Recommendation – We recommend that SARC consider separating the accounting duties over cash receipts and payroll preparation among a number of employees.

The Association for Retarded Citizens of Sabine, Inc.
Schedule of Audit Findings (Continued)
Year Ended June 30, 2017

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(continued):

2017-002 Internal Control over Expenditures

Criteria – Adequate internal controls require that expenditures be reviewed by management for proper approval and recording.

Condition – Our evaluation of internal control revealed several instances of lack of management review and/or approval of expenditures.

Cause – SARC failed to maintain written documentation of management approval on all invoices and purchase request authorizations for expenditures.

Effect – Inadequate internal controls over expenditures could result in misstatement of the financial statements.

Recommendation – We recommend that SARC institute adequate internal control procedures with regard to the review and approval of expenditures.

III. PRIOR YEAR FINDING

None noted.



Achieve with us.

November 21, 2017

Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

Re: The Association for Retarded Citizens of Sabine, Inc.
Financial Report – June 30, 2017

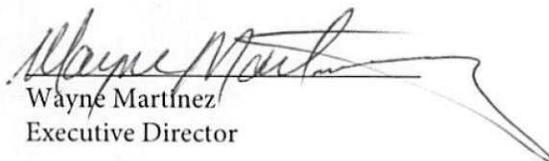
The following is our response to the audit findings issued to us by the firm Johnson, Thomas & Cunningham, CPA's for the year ended June 30, 2017:

Management's Corrective Plan:

- 2017-001 *Segregation of Duties –*
Management will, in the future, separate the accounting duties over cash receipts and payroll preparation among a number of employees.
- 2017-002 *Internal Control over Expenditures –*
Management will, in the future, take steps to ensure that the control procedures over review and approval of expenditures are strictly followed by all employees.

Please contact us if there are any questions regarding our response.

Sincerely,


Wayne Martinez
Executive Director

Johnson, Thomas & Cunningham

Certified Public Accountants

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

To the Board of Directors of
The Association for Retarded Citizens
of Sabine, Inc.
P. O. Box 1150
Many, LA 71449

We have performed the procedures enumerated below, which were specified and agreed to by the Board of Directors of the Association for Retarded Citizens of Sabine, Inc. (the "Association") to assist the Association in complying with the requirements of the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended June 30, 2017. We are required to perform each procedure and report the results, including any exceptions. The Association is responsible for internal controls and compliance with laws and regulations relative to the SAUPs and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the Association. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are enumerated below.

Written Policies and Procedures

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

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

Written policies and procedures were obtained and address the functions noted above.

- **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.

Written policies and procedures were obtained and address the functions noted above, except the policy did not outline procedures for who initiates purchases, adding vendors to the vendor list, nor the preparation/approval process of purchase orders.

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

There are no written policies and procedures for disbursements.

- **Receipts**, including receiving, recording, and preparing deposits

There are no written policies and procedures for receipts.

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

Written policies and procedures were obtained and address the functions noted above.

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

There are no written policies and procedures for contracting.

- **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

There are no written policies and procedures which specifically address credit cards.

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

Written policies and procedures were obtained and address the functions noted above.

- **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

This section is not applicable to the Association.

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

This section is not applicable to the Association.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

We obtained the Association's board minutes for the year, noting the board met in accordance with their policies, without exception.

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

Budget-to-actual financial statements are presented at each board meeting.

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

Deficit spending during the fiscal period is eliminated by the transfer of cash reserves.

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

We noted the minutes included non-budgetary financial information in each meeting (i.e., approval of contracts and disbursements).

Bank Reconciliations

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

We were provided with the listing by management.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- Bank reconciliations have been prepared;

For the five bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period, noting that reconciliations were prepared for all months, without exception.

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

The bank reconciliations did not contain evidence that management or a board member (not involved in the transactions) reviewed the bank reconciliations.

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

There was documentation that reconciling items were researched and addressed.

Collections

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

Management provided the listing as requested.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). **For each cash collection location selected:**
 - Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Management provided the documentation for the selected locations. The Association has insurance to cover theft or crime committed by any employee. One employee who collects cash is also responsible for making bank deposits, recording the related transaction, and reconciling the bank statement. The outside CPA reviews monthly bank statements. More than one employee shares the same cash register at the car care center and at the thrift store.

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

No exceptions noted.

- Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Management provided the required documentation for the selected deposits. We identified two deposits made 6 days after collection, one deposit made 2 days after collection, and one deposition made two days after collection. All the exceptions were related to car care collections.

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

Collection documentation was obtained and no exceptions were noted.

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

We found no specific written procedures which address the process to determine completeness of collections.

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

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

The listing of disbursements was obtained from the check registers. We obtained management's representation that the disbursement population was complete.

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

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

Transactions involving purchases were initiated using a Purchase Authorization Request system. Included in the selection were recurring routine transactions that did not require purchase orders based on the Association's policies and procedures.

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

A number of selected purchases had no evidence of approval by a person who did not initiate the purchase.

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

Invoices for several purchases contained no evidence of approval.

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

The same person responsible for processing payments is not prohibited from adding vendors to the purchasing/disbursement system.

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

We obtained the required documentation and noted that persons with signatory authority are not responsible for initiating or recording purchases.

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

We noted all unused checks for the payroll and accounts payable accounts are kept in a locked closet in the business office. The blank checks for the money market account are kept in a locked filing cabinet in the business office. The persons with signatory authority have no access to print checks.

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

The board treasurer uses a signature stamp that is maintained under her control at her residence. Checks are not signed until printed and presented for signature with approved invoices or time sheets.

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

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

Management provided the required listing.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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

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

Monthly statements were obtained. There was no evidence of approval on statement.

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

No finance charges or fees were noted.

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

- For each transaction, we report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)

Original fuel receipts were provided for each transaction selected.

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

No exceptions noted.

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

Supervisor and/or management approval signatures were missing on some purchase request authorizations.

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

We noted no exceptions in the selected transactions.

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

We noted no exceptions in the selected transactions.

Travel and Expense Reimbursement

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

We compiled the listing of travel reimbursements from the general ledger. Management represented that the listing was complete.

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

Policies were obtained. No amounts listed exceed GSA rates.

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

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

No exceptions were noted.

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

We were provided with an itemized receipt for each of the selected transactions, without exception.

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

No exceptions noted.

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

We noted all required documentation was provided with each of the selected transactions, without exception.

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

We noted no exceptions in the selected transactions.

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

No exceptions noted.

Contracts

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

Management provided the requested listing and representation.

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

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

No exceptions noted on the five contract vendors selected.

- Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

No noncompliance noted.

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

We noted no amendments to the contracts selected.

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

No exceptions noted.

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

No exceptions noted.

Payroll and Personnel

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

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

For the five employees selected, no exceptions were noted.

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

For the five employees selected, no changes were made to pay rates during the fiscal period.

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

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

For the pay period selected, all of the 25 employees selected had documented their daily attendance and leave.

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

There was no supervisory approval noted on the time sheets. The leave applications did contain proper approvals.

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

We observed the written leave records maintained for all selections, without exception.

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

For the two termination payments selected, we obtained personnel files and found that the termination payments were made in strict accordance with policy.

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

We noted no exceptions with regards to payroll taxes and retirement contributions for the fiscal period.

Ethics (excluding nonprofits)

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

Not applicable – The Association is a nonprofit entity and is excluded from completing the ethics training.

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

Per inquiry of management, there were no alleged ethics violations reported to the Association during the fiscal period.

Debt Service (excluding nonprofits)

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

Not applicable – No debt was issued during the fiscal period.

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

The Association had no outstanding debt during the fiscal period.

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

Not applicable.

Other

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

Per discussion with the Executive Director, there were no funds or assets misappropriated during the period.

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

We viewed the notice required by R.S. 24:523.1 posted on the Association's premises. The Association does not have a website.

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

Not applicable – no exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Association for Retarded Citizens of Sabine, Inc. and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully,

Johnson, Thomas + Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

November 21, 2017
Natchitoches, Louisiana

The Association for Retarded Citizens of Sabine, Inc.
Management's Response to Exceptions to
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

- Item 1: The Association will amend its written purchasing policies and procedures to address how purchases are initiated, how vendors are added to the vendor list, and the preparation and approval process for purchase orders.
- The Association will design and implement a written policy on disbursements and include the functions of processing, reviewing and approving.
- The Association will design and implement a written policy on receipts and include the functions of receiving, recording and preparing deposits.
- The Association will design and implement a written policy on contracting and include the functions of the types of services requiring written contracts, the standard terms and conditions for contracts, as well as the processes for legal review, approval and monitoring.
- The Association will expand its current policy to implement a specific written policy on all credit cards (including fuel cards) and include the functions of how cards are to be controlled, the allowable business uses, documentation requirements, required approvers, and monitoring card usage.
- Item 4: The Association will amend its bank reconciliations policy and procedures to require evidence of review by management or board member (not involved in the transactions associated with the bank account).
- Item 6: Management considers it not feasible to have more than one cash register at the car care and thrift store locations due to the small number of employees responsible for collecting cash. Management will continue to oversee and monitor the controls in place for each cash collection location. Management will institute a policy whereby all collections from each location are deposited on a daily basis.
- Item 7: Management will design and implement a process specifically defined to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions by a person who is not responsible for collections.
- Item 9: Management will implement procedures to ensure that all purchase request authorizations and invoices are approved, in writing, by management.
- Item 10: The Association will implement procedures to ensure that the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing system.

The Association for Retarded Citizens of Sabine, Inc.
Management's Response to Exceptions to
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

MANAGEMENT'S RESPONSE TO EXCEPTIONS (continued):

- Item 15: The Association will implement procedures to ensure that all monthly credit card statements are reviewed and approved, in writing, by someone other than the authorized holder.
- Item 16: The Association will implement procedures to ensure that all purchase requisition authorizations are reviewed and approved, in writing, by the appropriate supervisor and/or management.
- Item 23: The Association will implement procedures to ensure that all time sheets are reviewed and approved, in writing, by the appropriate supervisor and/or management.