

THE ARC OF ST. CHARLES, INC.
(A NON- PROFIT ORGANIZATION)

AUDITED FINANCIAL REPORT

Years Ended June 30, 2019 and 2018

CONTENTS

	Page <u>No.</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3-4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-18
OTHER SUPPLEMENTAL INFORMATION	
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER	19
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20-21
SCHEDULES OF FINDINGS	22
SCHEDULES OF CURRENT AND PRIOR YEAR AUDIT FINDINGS AND RESPONSES	23

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The ARC of St. Charles, Inc.
Boutte, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The ARC of St. Charles, Inc. (a non-profit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, as well as 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 which 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 principles used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Charles, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of compensation, benefits, and other payments to Agency Head or Chief Executive Officer as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of Management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of The ARC of St. Charles, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 ARC of St. Charles, Inc.'s internal control over financial reporting and compliance.


Harvey, Louisiana
December 18, 2019

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 623,411	\$ 480,494
Investments	225,846	175,505
Accounts Receivable	222,699	339,100
Deposits	5,765	5,765
Inventory	211,611	167,244
Prepaid Expenses	<u>4,411</u>	<u>8,748</u>
Total Current Assets	<u>1,293,743</u>	<u>1,176,856</u>
Property and Equipment		
Buildings	643,697	643,697
Furniture and Equipment	279,420	268,694
Vehicles	<u>401,408</u>	<u>280,124</u>
	1,324,525	1,192,515
Less: Accumulated Depreciation	<u>(617,578)</u>	<u>(534,444)</u>
Net Property and Equipment	<u>706,947</u>	<u>658,071</u>
TOTAL ASSETS	<u>\$ 2,000,690</u>	<u>\$ 1,834,927</u>

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts Payable	\$ 38,936	\$ 56,366
Comp Absences – Current Portion	12,949	11,744
Notes Payable – Current Portion	87,109	123,028
Accrued Payroll	<u>102,616</u>	<u>94,999</u>
Total Current Liabilities	<u>241,610</u>	<u>286,137</u>
Long-Term Liabilities		
Comp Absences – Non Current Portion	51,795	46,974
Notes Payable – Non Current Portion	<u>242,081</u>	<u>265,080</u>
Total Long-Term Liabilities	<u>293,876</u>	<u>312,054</u>
Net Assets		
Without Donor Restrictions	<u>1,465,204</u>	<u>1,236,736</u>
Total Net Assets	<u>1,465,204</u>	<u>1,236,736</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,000,690</u>	\$ <u>1,834,927</u>

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

**REVENUES, GAINS, AND
OTHER SUPPORT**

	<u>2019</u>	<u>2018</u>
Ad Valorem Tax	\$ 930,301	\$ 828,217
Dept. of Health and Hospital Services - Office of Citizens with Developmental Disabilities	21,807	50,900
Dept. of Health and Hospital Services - Medicaid	1,875,469	1,848,613
Row Day Habilitation - Medicaid	56,489	-0-
Res-Care, Inc.	45,085	66,847
United Way	144,500	141,517
Supported Employment/Job Revenue	352,811	380,523
Respite/Sitter Services	32,499	34,593
Transportation Charges	775	2,252
Contributions	170,369	79,254
Interest Income	341	303
Fund Raising	1,606	8,861
ARC Festival	15,722	42,202
Grants	35,000	31,542
Other Income	96,268	106,462
L/T Personal Care Services	<u>150,426</u>	<u>149,289</u>

TOTAL REVENUES, GAINS, AND
OTHER SUPPORT

3,929,468 3,771,375

EXPENSES

Program Services	3,123,810	3,055,799
Administrative Services	<u>577,190</u>	<u>584,437</u>

TOTAL EXPENSES

3,701,000 3,640,236

INCREASE (DECREASE) IN NET ASSETS
WITHOUT DONOR RESTRICTIONS

228,468 131,139

Net Assets Without Donor Restrictions,
Beginning of Year

1,236,736 1,105,597

Net Assets Without Donor Restrictions,
End of Year

\$ 1,465,204 \$ 1,236,736

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	PROGRAM SERVICES	ADMINISTRATIVE SERVICES	TOTAL	PROGRAM SERVICES	ADMINISTRATIVE SERVICES	TOTAL
Payroll - Staff	\$2,130,370	\$284,668	\$2,415,038	\$2,048,898	\$312,411	\$2,361,309
Payroll - Clients	118,326	-0-	118,326	100,444	-0-	100,444
Payroll Taxes	179,265	21,676	200,941	177,220	23,182	200,402
Bonus and Awards	8,825	10,032	18,857	5,534	11,461	16,995
Insurance - Health	127,503	34,089	161,592	155,274	32,368	187,642
Professional Fees	29,416	37,113	66,529	32,816	37,407	70,223
Dues	24,617	-0-	24,617	29,680	-0-	29,680
Equipment	9,739	-0-	9,739	7,266	-0-	7,266
Donations	7,970	-0-	7,970	5,993	-0-	5,993
Licenses	2,380	-0-	2,380	1,386	-0-	1,386
Maintenance and						
Repairs	46,249	45,861	92,110	64,960	11,174	76,134
Office Supplies	1,167	20,143	21,310	9,126	31,964	41,090
Supplies	36,348	-0-	36,348	50,671	-0-	50,671
Telephone	11,315	21,165	32,480	16,946	12,322	29,268
Travel and Seminars	20,731	5,411	26,142	26,278	16,977	43,255
Fuel	39,508	-0-	39,508	36,685	-0-	36,685
Property and Liability						
Insurance	98,262	6,901	105,163	52,319	4,678	56,997
Insurance - Workers'						
Compensation	75,233	5,557	80,790	72,194	4,987	77,181
Bank Charges	2,289	-0-	2,289	1,828	-0-	1,828
Meetings and Events	11,981	-0-	11,981	17,137	-0-	17,137
Fines and Penalties	37	-0-	37	136	-0-	136
Depreciation	86,044	15,138	101,182	71,005	9,918	80,923
Employee Expense	7,114	-0-	7,114	7,982	660	8,642
Fund Raising	790	13,916	14,706	813	22,361	23,174
Utilities	10,506	4,369	14,875	12,091	5,634	17,725
Interest	-0-	18,477	18,477	-0-	21,076	21,076
Advertising	4,421	2,683	7,104	8,127	4,123	12,250
Bad Debts	-0-	10	10	-0-	-0-	-0-
Miscellaneous	-0-	67	67	-0-	-0-	-0-
Auto	4,809	-0-	4,809	4,687	-0-	4,687
Rent	15,097	27,800	42,897	22,448	19,288	41,736
Contractual Service	13,498	-0-	13,498	15,855	-0-	15,855
Retirement	-0-	2,114	2,114	-0-	2,446	2,446
Total	\$3,123,810	\$577,190	\$3,701,000	\$3,055,799	\$584,437	\$3,640,236

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Increase (Decrease) in Net Assets	\$ 228,468	\$ 131,139
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	101,182	80,923
(Increase) Decrease in Operating Assets:		
Accounts Receivable	116,401	(85,676)
Inventory	(44,367)	(71,146)
Prepaid Expenses	4,337	39,042
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(17,430)	34,558
Comp Absences Payable	6,026	3,506
Accrued Payroll	<u>7,617</u>	<u>3,596</u>
Net Cash Provided (Used) by Operating Activities	<u>402,234</u>	<u>135,942</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Edward Jones	(50,000)	(120,000)
Purchases of Property and Equipment	(150,058)	(82,292)
Interest on Investments	<u>(341)</u>	<u>(303)</u>
Net Cash Provided (Used) by Investing Activities	<u>(200,399)</u>	<u>(202,595)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable	<u>(58,918)</u>	<u>15,445</u>
Net Cash Provided (Used) by Financing Activities	<u>(58,918)</u>	<u>15,445</u>
Net Increase (Decrease) in Cash and Cash Equivalents	142,917	(51,208)
Cash and Cash Equivalents, Beginning of Year	<u>480,494</u>	<u>531,702</u>
Cash and Cash Equivalents, End of Year	\$ <u>623,411</u>	\$ <u>480,494</u>

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

1. SIGNIFICANT ACCOUNTING POLICIES

A. The ARC of St. Charles, a non-profit organization, is committed to providing services and supports that enable people of all ages with developmental and intellectual disabilities and special needs to attain their full potential. The financial statements of The ARC of St. Charles, Inc. have been prepared on the accrual basis; therefore, certain revenues and the related assets are recognized when earned rather than when received, and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.

B. FASB Update to Topic 958 (ASU 2016-14)

Effective July 1, 2018, the Organization implemented the requirements of Financial Accounting Standards Board Update to Topic 958 (ASU 2016-14), "*Presentation of Financial Statements of Not-for-Profit Entities*". The provisions of this update require not-for-profit entities to:

1. Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the previously required three classes. That is, not-for-profits will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets.
2. Present on the face of the statement of activities the amount of the change to each of the two classes of net assets rather than that of the previously required three classes. A not-for-profit would continue to report the amount of the change in total net assets.
3. Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
4. Provide the following enhanced disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
 - b. Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
 - c. Qualitative information that communicates how a not-for-profit manages its liquid resources available to meet cash needed for general expenditures within one year of the balance sheet date.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

B. FASB Update to Topic 958 (ASU 2016-14) – continued

- d. Quantitative information, either on the face of the balance sheet or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by governing board decisions.
 - e. Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location, which could be on the face of the statement of activities, as separate statements, or in the notes to the financial statements.
 - f. Method(s) used to allocate costs among program and support functions.
 - g. Underwater endowment funds, which include required disclosures of (1) a not-for-profit's policy, and any actions taken during the period, concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate of the original gift amounts (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater (deficiencies), which are to be classified as part of net assets with donor restrictions.
5. Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.
6. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify an amount from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor imposed restriction over the estimated useful life of the acquired asset).

Due to the implementation for the required provisions above, the Organization reclassified unrestricted net assets at July 1, 2018 of \$1,236,736 to net assets without donor restrictions.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

C. Business Activity

The ARC of St. Charles, Inc. trains the intellectually and developmentally disabled citizens of the parish that are over 17 years of age. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews, personal hygiene, daily living skills (making change, telling time, safety), recognition of danger signs, physical training, and maximization of individual potential. The Organization also provides transportation for all activities including daily instruction classes. Funding for the Organization is primarily derived from the dedicated millage provided by St. Charles Parish taxpayers, and from third party reimbursement arrangements. These revenues and the allowability of the related expenditures are subject to audits by the granting agencies. In addition, the Organization also receives funding from appropriations from State agencies, and contributions from the public. Additional revenue is also generated from services performed by clients.

D. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

E. Liquidity and Availability

The Organization has \$623,411 of cash in bank available within one year of the date of the statement of financial position to meet cash needs for general expenditures. Cash in bank is not subject to donor or other contractual restrictions that make it unavailable for general expenditures within one year of the date of the statement of financial position.

All of The ARC of St. Charles, Inc.'s financial assets are available for general expenditure, with the exception of revenue received from its St. Charles Parish millage. The ARC of St. Charles, Inc. has no financial assets with donor restrictions. However, by way of the cooperative endeavor agreement between The ARC of St. Charles, Inc. and the St. Charles Parish Council, all revenue generated from this millage is required to be spent in activities pertaining to St. Charles Parish only. As a part of its liquidity management, The ARC of St. Charles, Inc. has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, The ARC of St. Charles, Inc. invests cash in excess of daily requirements in short-term investments.

F. Restricted Deposits

The Organization does not have any deposits that are restricted in use and that are not available for operating purposes at June 30, 2019 and 2018.

G. Accounts Receivable

The Organization, in regards to uncollectible accounts, utilizes the direct write off method. Therefore, no allowance for doubtful accounts is utilized. Management believes this to be the most effective method for purposes of recording uncollectible accounts. The bad debts written off for the years ended June 30, 2019 and 2018 were \$10 and zero, respectively.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

H. Inventory and Thrift Shop Donations

The Thrift Shop, which is owned and operated by the Organization, receives donated household items on a daily basis. These donations can be used, repaired, or cleaned for resale. However, some items received are of poor condition and are later discarded. It is, therefore, not practicable to determine the fair value of the donated items at the time of receipt. Accounting principles generally accepted in the United States of America require that donated property be recorded at its fair value at the time of receipt. The items retained for resale are, however, recorded at their fair value on an annual basis at the time the fiscal year end inventory is recorded. Thrift shop values are used to estimate the fair value of the items retained for inventory. This value is then utilized in the inventory adjustment and is, therefore, included in the overall determination of the Statement of Financial Position and the Statement of Activities.

I. Ad Valorem Tax/Millage

Annually, The ARC of St. Charles, Inc. receives a millage from St. Charles Parish (.70 mills for a term of 10 years) for funding purposes. The approximate amount of revenue from this millage is estimated to be \$930,000 for the upcoming year. The proceeds are required to be used exclusively in St. Charles Parish as a result of a cooperative endeavor agreement signed between The ARC of St. Charles, Inc. and the St. Charles Parish Council. Under the agreement, The ARC of St. Charles, Inc. will jointly engage in activities to achieve the goal of promoting the well-being of persons with special needs and developmental and intellectual disabilities.

J. Contributions

Donor-restricted support whose restrictions are met in the same reporting period as the support recognized is reported as net assets without donor restrictions.

K. Donations of Property and Equipment

Donations of property 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 restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as structured by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful life. Acquisitions of property and equipment in excess of \$400 and having a useful life of over one year are capitalized.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

L. Financial Statement Presentation

The financial statements have been prepared in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations" and Financial Accounting Standards Board Update to Topic 958 (ASU 2016-14), "Presentation of Financial Statements for Not-for-Profit Entities". Under SFAS No. 117 and Update to Topic 958 (ASU 2016-14), the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Organization is required to present a statement of cash flows.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure 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 statements.

2. LEASES

The Organization leases its operating facilities from the St. Charles Parish School Board under a monthly operating lease at a charge of \$2,076 per month effective July 1, 2016 for a term of 60 months ending June 30, 2021. The Organization pays all insurance, maintenance, and improvements. The lessor may cancel the lease if the facilities are needed for school purposes. The Organization leased facilities for its Mardi Gras bead operations under a two year lease which began October 1, 2016 at a rate of \$975 per month. As of June 30, 2019, this lease is being paid on a month-to-month basis at a rate of \$1,000 per month.

The minimum lease payments payable on the Organization's leases for the next five years are as follows:

Fiscal Year End	Minimum Lease Payments
June 30, 2020	\$ 2,788
June 30, 2021	\$ -0-
June 30, 2022	\$ -0-
June 30, 2023	\$ -0-
June 30, 2024	\$ -0-

3. CONTRIBUTED SERVICES

A number of unpaid volunteers have made contributions of their time to the Organization during the year. The value of this contributed time is not reflected in these statements since it is not material and is not susceptible to objective measurement or valuation.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

4. CONTRACT REVENUES

The Organization entered into a contract with the Department of Health and Hospitals to provide training to individuals with developmental and intellectual disabilities that are over 17 years of age in St. Charles Parish. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews, and behavioral skills.

The Organization also entered into a contract with Res-Care, Inc. (a residential provider) to provide day training to other developmentally and intellectually disabled citizens. The type of training provided is explained in the preceding paragraph.

The Organization receives its largest operating revenue for providing training and daycare to Medicaid clients.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2019</u>	<u>2018</u>
First American – Operating	\$ 125,437	\$ 24,872
First National – Money Market	261	261
First National – Millage	497,374	455,022
GNO Federal Credit Union	89	89
Petty Cash	250	250
	<u>\$ 623,411</u>	<u>\$ 480,494</u>

6. INVESTMENTS AND FAIR VALUE MEASUREMENT

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

6. INVESTMENTS AND FAIR VALUE MEASUREMENT - continued

- Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The amortized cost and fair values measured on a recurring basis of investments as of June 30, 2019 are as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Level 2 Cost Basis			
FNB Certificate of Deposit	\$ 51,855	\$ 51,855	\$ -0-
Mutual of America	3,991	3,991	-0-
Edward Jones	<u>170,000</u>	<u>170,000</u>	-0-
	<u>\$ 225,846</u>	<u>\$ 225,846</u>	<u>\$ -0-</u>

7. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Dept. of Health and Hospitals	\$ 159,188	\$ 165,761
St. Charles Parish Finance Department	7,650	21,250
Res-Care, Inc.	8,194	24,695
United Way	715	25,143
St. Charles Parish Schools	2,925	40,327
EDS-LA Department of Revenue	703	3,273
OCDD	6,353	8,715
St. John Council on Aging	9,201	7,848
Louisiana Rehabilitation	3,250	5,750
Quality Support	5,000	5,000
Miscellaneous	<u>19,520</u>	<u>31,338</u>
	<u>\$ 222,699</u>	<u>\$ 339,100</u>

8. PROPERTY AND EQUIPMENT

Property and equipment, and depreciation activity for the year ended June 30, 2019 are as follows:

	<u>Balance 7-1-18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-19</u>
Buildings	\$ 643,697	\$ -0-	\$ -0-	\$ 643,697
Furniture & Equipment	268,694	10,726	-0-	279,420
Vehicles	<u>280,124</u>	<u>139,332</u>	<u>18,048</u>	<u>401,408</u>
	1,192,515	150,058	18,048	1,324,525
Less: Accumulated Depreciation	<u>(534,444)</u>	<u>(101,182)</u>	<u>(18,048)</u>	<u>(617,578)</u>
Net Property & Equipment	<u>\$ 658,071</u>	<u>\$ 48,876</u>	<u>\$ -0-</u>	<u>\$ 706,947</u>

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

9. NOTES PAYABLE

Note payable consists of the following:

	<u>2019</u>	<u>2018</u>
First American LOC	\$ 63,571	\$ 101,682
GNO Fed Credit Union	206,765	213,931
GNO Fed Credit Union	27,685	35,582
GNO Fed Credit Union	11,984	15,024
Ally Bank	19,185	21,889
	<u>\$ 329,190</u>	<u>\$ 388,108</u>

The notes payable are shown on the financial statements as follows:

	<u>2019</u>	<u>2018</u>
Current Portion	\$ 87,109	\$ 123,028
Non Current Portion	242,081	265,080
	<u>\$ 329,190</u>	<u>\$ 388,108</u>

10. ECONOMIC DEPENDENCY

The Organization depends on the Department of Health and Hospitals and Ad Valorem Tax for a major portion of its support.

11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISKS

The ARC of St. Charles, Inc. extends a substantial amount of credit to several non-profit and state agencies such as the Department of Health and Hospitals and Res-Care, Inc.

12. INCOME TAXES

The Organization is a non-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. Therefore, the Organization has not recorded a provision for income taxes in the accompanying financial statements. The Organization files a federal income tax return under U. S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U. S. federal tax examination by tax authorities for the tax years before 2015. In regards to tax uncertainties, the Organization has reviewed its tax positions, and determined there were no outstanding or retroactive tax positions as of June 30, 2019.

13. NET ASSETS WITH DONOR RESTRICTIONS

The Organization does not have any net assets with donor restrictions on the use of the assets at June 30, 2019 and 2018.

14. THREATENED AND PENDING LITIGATION

Due to the nature of the work performed and in the regular course of business, The ARC of St. Charles, Inc. is subject to ongoing potential litigation. As of the year ended June 30, 2019, there is presently no pending litigation which would have a material effect upon the financial statements.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

15. 401K PROFIT SHARING PLAN

The Organization maintains a 401K Profit Sharing Plan to enable its employees to accumulate long term savings for retirement while benefiting from favorable tax treatment. The plan is administered by Mutual of America Life Insurance Company who receives the plan contributions, maintains participants' individual accounts, offers the investment options, and pays benefits to participants and their beneficiaries. Benefits are based on a stated contribution formula and are fully funded at all times. Therefore, the plan is classified as a defined contribution plan and is not covered for plan termination insurance provided by the Pension Guaranty Corporation.

Eligibility

All employees are eligible to participate in this plan, except those who are non-resident aliens with no U. S. source income and those who are classified or treated as independent contractors (even if a government agency or court within the jurisdiction determines that such persons are deemed to be employees for any purpose under common-law principles or federal, state, or local law).

Certain employees commonly called leased employees and other individuals who are not employees of the employer, but who are commonly called leased employees because they are employed by a leasing organization, are not eligible to participate in this plan.

Employees covered under a collective bargaining agreement are not eligible to participate in this plan.

Salary Reduction Contributions

An employee must be at least 21 years of age to make salary reduction contributions, including Designated Roth Contributions, to this plan.

An employee must complete at least three months of service to make salary reduction contributions to this plan.

Employer Matching Contributions

An employee must be at least 21 years of age to receive employer matching contributions under this plan.

An employee must complete at least one year of service to receive employer matching contributions under this plan.

Participation In The Plan

An employee is included as a participant in the plan on the first day of the month coinciding with or immediately following the date the employee meets all of the above requirements.

For salary reduction contributions, the employee will not be required to complete any specified number of hours of service to receive credit for eligibility.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

15. 401K PROFIT SHARING PLAN - continued

For employer matching contributions, the employee will be credited with a year of service for eligibility at the end of the employee's first twelve months of employment provided the employee completes at least 1,000 hours of service within the twelve month period. If the employee completes fewer than 1,000 hours during his/her first twelve months with the Organization, the employee will be credited with a year of service for eligibility at the end of the first twelve month period, beginning on the anniversary date of the employee's date of hire, in which the employee completes 1,000 hours of service.

If the employee has a break-in-service after becoming a participant in the plan and is later rehired, the employee will be eligible to resume participation in the plan immediately following the date the employee is rehired:

- (a) if the employee is at least partially vested in his/her benefit before terminated services, or
- (b) if, regardless of the employee's vesting status when he/she terminated service, the employee's break-in-service did not exceed five consecutive years.

In any other case, the employee will be eligible to resume participation in the plan only upon completion of the applicable service requirement.

A break-in-service means a twelve consecutive month period during which the employee does not complete more than 500 hours of service with the Organization due to his/her termination, layoff, leave, or similar reason.

The matching contributions made for the years ended June 30, 2019 and 2018 were \$2,114 and \$2,446, respectively.

16. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The Organization maintains a money market account with Mutual of America Institutional Funds, Inc. The balance (which is not covered by FDIC insurance) totaled \$3,991 and \$3,908 as of June 30, 2019 and 2018, respectively. The account is insured by the SIPC (Securities Investor Protection Corporation) which is a non-profit organization formed by Congress in 1970 to assist in compensating securities losses up to \$100,000. It is not, however, the equivalent of FDIC insurance, as it only guarantees losses up to the amount of assets the fund possesses. The Organization also maintains an investment account with Edward Jones which is primarily invested in certificates of deposit which are fully insured by FDIC insurance. Concentrations of credit risk with respect to trade receivables are limited due to the number of customers comprising the Organization's customer base and their dispersion across different industries. As of June 30, 2019, the Organization had no significant concentrations of credit risk.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

17. COMPENSATED ABSENCES

The employees of The ARC of St. Charles, Inc. are currently not reimbursed for unused vacation and sick leave, and must actually use leave time for it to be incurred. Employees may carry no more than eighty hours into a new calendar year. The balance of the accrued liability for compensated absences for June 30, 2019 and 2018 was \$64,744 and \$58,718, respectively.

Compensated absences are shown on the financial statements as follows:

	2019	2018
Current Portion	\$ 12,949	\$ 11,744
Non Current Portion	51,795	46,974
	\$ 64,744	\$ 58,718

18. POST-EMPLOYMENT BENEFITS

At present, there are no former employees of The ARC of St. Charles, Inc. who are receiving post-employment benefits, and any liability due to the Organization's benefit structure is considered to be immaterial.

19. FUNCTIONAL BASIS PRESENTATION

Expenditures incurred in connection with administrative services and program services have been summarized on a functional basis in the statement of functional expenses according to Financial Accounting Standards Board Update to Topic 958 (ASU 2016-14), "*Presentation of Financial Statements of Not-for-Profit Entities*".

20. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements to determine the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 18, 2019 which is the date the financial statements were available to be issued. No events occurring after this date have been evaluated for inclusion in these financial statements.

OTHER SUPPLEMENTAL INFORMATION

THE ARC OF ST. CHARLES, INC.
 (A NON-PROFIT ORGANIZATION)
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
 TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
 FOR THE YEAR ENDED JUNE 30, 2019

Agency Head Name: Victoria Bryant

Purpose:	Amount
Salary	\$ <u>85,279</u>
Benefits – insurance	14,599
Benefits – retirement	466
Benefits – other	-0-
Car Allowance	-0-
Vehicle provided by Organization	-0-
Per diem	-0-
Reimbursements	118
Travel	790
Registration fees	6,372
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Cell phone	758
Unvouchered expenses	-0-
Meals	-0-
	<u>\$ 108,382</u>

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SOCIETY OF LOUISIANA
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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
The ARC of St. Charles, Inc.
Boutte, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The ARC of St. Charles, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements that is more than inconsequential 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 over financial reporting 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. During our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The ARC of St. Charles, Inc.'s financial statements are free of 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*.

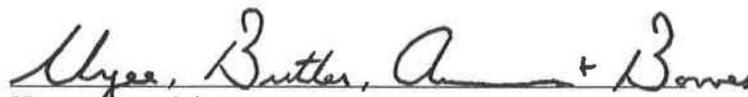
Response to Findings

The ARC of St. Charles, Inc.'s response to the findings identified in our audit is described in the accompanying schedules of current and prior year audit findings and responses. The ARC of St. Charles, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

This report is intended solely for the information and use of Management, the Board of Directors, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 25.513, this report is distributed by the Legislative Auditor as a public document.



Harvey, Louisiana
December 18, 2019

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
SCHEDULES OF FINDINGS
YEARS ENDED JUNE 30, 2019 and 2018

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unmodified opinion on the basic financial statements of The ARC of St. Charles, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported as of June 30, 2019 and 2018.
3. No instances of noncompliance material to the financial statements of The ARC of St. Charles, Inc. as of June 30, 2019 and 2018 were disclosed in Part B of this schedule.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

THE ARC OF ST. CHARLES, INC.
 (A NON-PROFIT ORGANIZATION)
 SCHEDULES OF CURRENT AND PRIOR YEAR AUDIT FINDINGS
 AND RESPONSES
 YEARS ENDED JUNE 30, 2019 AND 2018

<u>Ref No.</u>	<u>Fiscal Year Findings Initially Occurred</u>	<u>Description of Findings</u>	<u>Corrective Action Taken</u>	<u>Responses</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
CURRENT YEAR (6/30/19)						
<u>Internal Control:</u>						
19-01	Unknown	None	N/A	N/A	Victoria Bryant Executive Director	N/A
PRIOR YEAR (6/30/18)						
<u>Internal Control:</u>						
18-01	Unknown	None	N/A	N/A	Victoria Bryant Executive Director	N/A

THE ARC OF ST. CHARLES, INC.
(A Non-Profit Organization)

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Fiscal Year Ended June 30, 2019

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Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Board of Directors of
The ARC of St. Charles, Inc.
Boutte, Louisiana

We have performed the procedures enumerated below, which were agreed to by The ARC of St. Charles, Inc. and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2018 through June 30, 2019. The ARC of St. Charles, Inc.'s management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the Organization's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Organization's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the public bid law, and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Organization's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- 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.

Findings: We obtained The ARC of St. Charles, Inc.'s written policies and procedures manual. The policies and procedures manual addresses each of the following categories and subcategories as listed above, except ethics and debt service, (which are not applicable to The ARC of St. Charles, Inc.) and disaster recovery/business continuity, which is explained below:

- *Budgeting.*
- *Purchasing.*

- *Disbursements.*
- *Receipts/Collections.*
- *Payroll/Personnel.*
- *Contracting.*
- *Credit Cards, Debit Cards, Fuel Cards, and P-Cards.*
- *Travel and Expense Reimbursement.*
- *Ethics (not applicable).*
- *Debt Service (not applicable).*

The ARC of St. Charles, Inc. has backup procedures in place through Sygnvs Integrated Solutions to address some of the items listed under disaster recovery/business continuity. Management is in the process of updating their policies and procedures manual to fully address all of the remaining items listed under disaster recovery/business continuity.

Board or Finance Committee

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

Findings: We obtained the board minutes as well as the Organization's bylaws from the management of The ARC of St. Charles, Inc. for the fiscal period. We found that the board met once per month except during the months of July and December (not always with a quorum) which is in accordance with the Organization's bylaws.

The minutes frequently referred to financial matters. The minutes, since our recommendation, now include monthly budget-to-actual comparisons and also include or reference financial activity relating to public funds.

The section above relating to governmental entities does not apply to The ARC of St. Charles, Inc. because the Organization is a non-profit entity.

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 Organization's main operating account. Select the Organization'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 each selected 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).
 - 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
 - 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.

Findings: We obtained a listing of The ARC of St. Charles, Inc.'s bank accounts from the client's trial balance. Management stated that this listing is complete in their management representation letter dated December 18, 2019.

We obtained from the listing, the bank accounts and bank reconciliations for each month in the fiscal period for all of the Organization's bank accounts.

All bank reconciliations were prepared within two months of the related statement closing date.

All bank reconciliations were signed by the preparer, stamped with the Executive Director's signature stamp (used only with her permission), and dated. The Executive Director does not handle cash, post ledgers, or issue checks.

All old outstanding items over twelve months were researched and written off by the end of the fiscal period.

Collections (excluding EFTs)

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.

Findings: We have obtained a listing of The ARC of St. Charles, Inc.'s deposit sites and collection locations for the fiscal period. Management stated that this listing is complete in their management representation letter dated December 18, 2019.

The ARC of St. Charles, Inc.'s deposit sites consist of their main office and The Cajun Village Thrift Store. The Throw Me Something Mister Mardi Gras Bead Distribution Center is not a deposit site because all of their deposits are forwarded to the main office for the deposit slip to be completed and the deposit taken to the bank.

The ARC of St. Charles, Inc.'s collection locations consist of its main office, The Cajun Village Thrift Store, and The Throw Me Something Mister Mardi Gras Bead Distribution Center.

We obtained and inspected written policies and procedures relating to employee job duties at each collection location and observed that job duties are properly segregated.

Collection location #1 (Main Office):

The main office collects cash, checks, and money orders from the mail, employees, and others. All funds are immediately listed on a deposit slip and deposited into the bank. Collections are recorded in the general ledger by an employee who is not responsible for collecting funds. Deposits are reconciled by an independent CPA who is not responsible for collecting cash.

Collection location #2 (Cajun Village Thrift Store):

The person in charge of collecting funds actually deposits the funds in the bank and fills out the deposit slip. However, two employees verify and sign all deposits. She does not reconcile the related bank account or record the related transaction. It was also found that she shares the same cash register with other employees, but separate user codes are utilized to differentiate transactions by employee. Deposits are reconciled by an independent CPA who is not responsible for collecting cash.

Collection location #3 (Throw me Something Mister Mardi Gras Bead Distribution Center):

Our inspection found that the employee is not responsible for depositing the funds in the bank, does not record the related transaction, and does not reconcile the related bank account. There is only one person using the cash register and it is not being shared with another employee. Deposits are reconciled by an independent CPA who is not responsible for collecting cash.

Our examination found that all employees, including the employees who collect cash, were bonded.

We selected two deposit dates from each of the Organization's bank accounts. The Organization does not utilize sequentially pre-numbered receipts.

We traced the receipts to the deposit slips, traced the deposit slips to the actual deposit on the bank statement, and traced the actual deposit per the bank statement to the general ledger. All deposits were made within two days of receipt at the collection location.

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).
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.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]

10. For each location selected under #8 above, obtain the Organization'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.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings: We obtained a listing of locations that process payments for the fiscal period. Management stated that this listing is complete in their management representation letter dated December 18, 2019.

The only location that processes payments for The ARC of St. Charles, Inc. is their main office.

We obtained a listing of those employees involved in non-payroll purchasing and payment functions. We obtained the policies and procedures relating to these employees' job duties and observed that the job duties are properly segregated.

Purchases were initiated using a purchase requisition form for those type of purchases which were required by policy. Certain recurring expenses (i.e., utilities) did not include a purchase requisition form. The Executive Director has final signatory authority and makes the final authorization for disbursements. The required authorization on the purchase requisition forms and the Executive Director's signature requirement on all checks assures that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. This also assures that at least two employees are involved in processing and approving payments to vendors.

The ARC of St. Charles, Inc.'s policies and procedures manual prohibits anyone from adding vendors to the Organization's purchasing disbursement system without the approval of the Executive Director.

After the disbursement checks are approved and signed by the Executive Director, they are mailed. The disbursement checks are always mailed by an employee who is not responsible for processing payments.

We obtained a listing of the Organization's non-payroll disbursement transaction population from their check registers. Management stated that this listing is complete in their management representation letter dated December 18, 2019.

We selected five disbursements from the disbursement population and obtained supporting documentation for each transaction.

Our examination showed that the disbursements observed matched the original invoice/billing statement.

The disbursement documentation observed includes evidence of segregation of duties (such as approval by the Executive Director).

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

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

Findings: We obtained a listing of all active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and the names of the persons who maintained possession of the cards. Management stated that this listing is complete in their management representation letter dated December 18, 2019.

Management stated that there were no changes to the credit cards maintained by the Organization and there were also no changes to the persons who maintained possession of the credit cards.

We selected all of the credit cards that were used during the fiscal period. We selected one monthly statement for each of the credit cards and obtained supporting documentation.

Our inspection showed that all of the credit card statements were approved by the Executive Director or someone who is not the authorized card holder.

Some of the credit card statements showed assessment of minimal finance charges and late fees. A recommendation was made that these statements be paid prior to finance charges and late fees being assessed.

We selected ten transactions from each of the statements selected above and obtained supporting documentation for the transactions. Some of the transactions lacked original itemized receipts. A recommendation was made that the Organization develop a missing receipt statement to enable employees to document the reason that the receipts are missing and would require approval by a supervisor. The documentation, since our recommendation, now includes the business/public purpose for each transaction. There were no instances of any meal charges which would require documentation of the individuals participating in the meals.

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).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - 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).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: We obtained a listing of all travel and travel-related expense reimbursements during the fiscal period. Management stated that this listing is complete in their management representation letter dated December 18, 2019.

We selected five reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation.

All reimbursements were paid in accordance with the Organization's policies and procedures manual. The Organization's policies do not exceed GSA rates.

All of the reimbursements using actual costs were supported by an original itemized receipt that identifies precisely what was purchased.

The documentation, since our recommendation, now includes the business/public purpose for each transaction. There were no instances of any meal charges which would require documentation of the individuals participating in the meals. All other documentation required by written policy was attached.

All reimbursements were reviewed and approved in writing by the Executive Director or someone other than the person receiving reimbursement.

Contracts

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

Findings: We obtained 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. Management stated that this listing is complete in their management representation letter dated December 18, 2019.

We selected all contracts from the listing obtained above, and found the following:

The ARC of St. Charles, Inc. is not subject to the Louisiana Public Bid Law. However, as a best practice, the Organization's policies require board approval and recommendation, and three bids to be obtained, on all contracts of \$10,000 and over.

At no time were any contracts under examination amended.

We selected one payment from each of the contracts selected above for the fiscal period, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contact.

Payroll and Personnel

16. Obtain a listing of employees/elected officials who were 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.

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.]
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the Organization'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 employees/officials' cumulative leave records, and agree the pay rates to the employees/officials' authorized pay rates in the employees/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and worker's compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Findings: We obtained a listing of all employees who were employed during the fiscal period. Management stated that this listing is complete in their management representation letter dated December 18, 2019.

We selected five employees, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

We selected one pay period during the fiscal period and obtained attendance records and leave documentation for the five employees selected above. We observed that all of the selected employees documented their daily attendance and leave, and that supervisors approved the attendance and leave of the selected employees. All leave taken by the selected employees was reflected in the Organization's cumulative leave records.

We obtained a listing of those employees that received termination payments during the fiscal period. Management stated that this listing is complete in their management representation letter dated December 18, 2019.

There was only one terminated employee who was entitled to termination benefits. Any employees who were not full-time employees or who did not give the required two week notice of separation did not receive termination payments. Only full-time employees and employees who give their required two week notice are entitled to termination benefits. We obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee's cumulative leave records, and agreed the pay rates to the employee's authorized pay rates in the employee's personnel file. All termination payments were made in strict accordance with the policy and/or contract and approved by management.

We obtained, in their management representation letter dated December 18, 2019, management's representation that all 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 the 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 that each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the documentation demonstrates that each employee/official attested through signature verification that he or she has read the Organization's ethics policy during the fiscal period.

Findings: This section is not applicable to The ARC of St. Charles, Inc. because the Organization is a non-profit entity.

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.
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 debt covenants).

Findings: This section is not applicable to The ARC of St. Charles, Inc. because the Organization is a non-profit entity.

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 Organization reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the Organization 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.

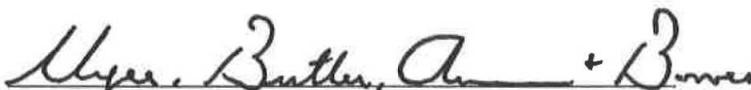
Findings: We inquired regarding a listing of all misappropriations of public funds and assets during the fiscal period. Management stated, in their management representation letter dated December 18, 2019 that, if applicable, such a listing would be provided.

No such listing, and no misappropriations of public funds and assets, were reported to us during the fiscal period.

The Organization has posted on its premises the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. The Organization's website contains a link which takes the user to the Louisiana Legislative Auditor's notice required by R.S. 24:523.1.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in 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.

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



Uzee, Butler, Arceneux & Bowes
Certified Public Accountants
Harvey, Louisiana

December 18, 2019

The Arc of St. Charles, Inc.

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December 18, 2019

Independent Accountant's Report on Applying Agreed-Upon Procedures MANAGEMENT RESPONSE

Year Ended June 30, 2019

1) WRITTEN POLICIES AND PROCEDURES

Procedure #1k:

1. Obtain and inspect the Organization's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Organization's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the public bid law, and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

- g) ***Credit Cards (and debit cards, fuel cards, P-cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Organization's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- 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.

FINDING

We obtained The ARC of St. Charles, Inc.'s written policies and procedures manual. The policies and procedures manual addresses each of the following categories and subcategories as listed above, except ethics and debt service which are not applicable to The ARC of St. Charles, Inc. and disaster recovery/business continuity which is explained below:

- *Budgeting.*
- *Purchasing.*
- *Disbursements.*
- *Receipts/Collections.*
- *Payroll/Personnel.*
- *Contracting.*
- *Credit Cards, Debit Cards, Fuel Cards, and P-Cards.*
- *Travel and Expense Reimbursement.*
- *Ethics (not applicable).*
- *Debt Service (not applicable).*

The ARC of St. Charles, Inc. has backup procedures in place through Sygnvs Integrated Solutions to address some of the items listed under disaster recovery/business continuity. Management is in the process of updating their policies and procedures manual to fully address all of the remaining items listed under disaster recovery/business continuity.

MANAGEMENT'S RESPONSE

We will ensure that our policies and procedures manual is fully updated to address all of the remaining items listed under disaster recovery/business continuity.

2) CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS

A. Procedure #12b:

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:

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

FINDING

Some of the credit card statements showed assessment of minimal finance charges and late fees. A recommendation was made that these statements be paid prior to finance charges and late fees being assessed.

MANAGEMENT'S RESPONSE

We will ensure that all credit card payments are paid timely to avoid finance charges and late fees.

B. Procedure #13:

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.

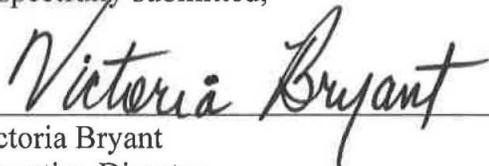
FINDING

We selected ten transactions from each of the statements selected above and obtained supporting documentation for the transactions. Some of the transactions lacked original itemized receipts. A recommendation was made that the Organization develop a missing receipt statement to enable employees to document the reason that the receipts are missing and would require approval by a supervisor. The documentation, since our recommendation, now includes the business/public purpose for each transaction. There were no instances of any meal charges which would require documentation of the individuals participating in the meals.

MANAGEMENT'S RESPONSE

We will ensure that all future credit card/debit card/fuel card/P-card transactions include supporting documentation such as original itemized receipts. We will develop a missing receipt statement that will be used by all employees when an original itemized receipt is not available. This missing receipt statement will enable the employees to document the reason that the receipts are missing and will require approval by a supervisor.

Respectfully submitted,

A handwritten signature in cursive script that reads "Victoria Bryant". The signature is written in black ink and is positioned above a horizontal line.

Victoria Bryant
Executive Director