

# THE ARC OF GREATER NEW ORLEANS

## FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016



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**THE ARC OF GREATER NEW ORLEANS**  
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**JUNE 30, 2017**

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**Report**



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
The Arc of Greater New Orleans  
Metairie, Louisiana

We have audited the accompanying financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Organization as of June 30, 2017 and 2016, 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 Matter**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

*Carly Riggs & Ingram, L.L.C.*

December 13, 2017



# Financial Statements

**THE ARC OF GREATER NEW ORLEANS  
STATEMENTS OF FINANCIAL POSITION**

<i>As of June 30,</i>	<i>2017</i>	<i>2016</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 54,678	\$ 7,179
Accounts receivable	956,807	1,166,426
Prepaid expenses	48,485	40,569
Restricted trust fund	72,567	54,458
Other current assets	11,685	20,522
<b>Total Current Assets</b>	<b>1,144,222</b>	<b>1,289,154</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>1,485,406</b>	<b>1,438,808</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,629,628</b>	<b>\$ 2,727,962</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 397,949	\$ 310,154
Compensated absences	100,013	102,436
Line of credit	300,000	325,000
Deferred revenue	10,000	10,000
Current maturities of long-term debt	79,268	92,448
<b>Total Current Liabilities</b>	<b>887,230</b>	<b>840,038</b>
<b>LONG-TERM DEBT, net of current maturities</b>	<b>476,405</b>	<b>523,708</b>
<b>TOTAL LIABILITIES</b>	<b>1,363,635</b>	<b>1,363,746</b>
<b>NET ASSETS</b>		
Unrestricted	1,265,993	1,364,216
<b>TOTAL NET ASSETS</b>	<b>1,265,993</b>	<b>1,364,216</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,629,628</b>	<b>\$ 2,727,962</b>

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

**THE ARC OF GREATER NEW ORLEANS**  
**STATEMENT OF ACTIVITIES**

*For the Year Ended June 30,*

**2017**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Federal grant income	\$ 199,998	\$ -	\$ 199,998
Contributions	641,643	-	641,643
United Way Allocations	59,089	-	59,089
Client fees	813,997	-	813,997
Medicaid	5,653,411	-	5,653,411
Group home	232,266	-	232,266
Other income	18,680	-	18,680
<b>Total Support and Revenue</b>	<b>7,619,084</b>	<b>-</b>	<b>7,619,084</b>
<b>EXPENSES</b>			
Program services			
Employment services	160,716	-	160,716
Individual options	1,719,390	-	1,719,390
Project H.E.L.P.	2,944,201	-	2,944,201
Operations department	1,718,493	-	1,718,493
Family service coordination	191,264	-	191,264
Supporting services			
Management and general	918,749	-	918,749
Payments to affiliates	16,800	-	16,800
Fundraising	47,694	-	47,694
<b>Total Expenses</b>	<b>7,717,307</b>	<b>-</b>	<b>7,717,307</b>
<b>CHANGES IN NET ASSETS</b>	<b>(98,223)</b>	<b>-</b>	<b>(98,223)</b>
<b>NET ASSETS - Beginning of year</b>	<b>1,364,216</b>	<b>-</b>	<b>1,364,216</b>
<b>NET ASSETS - End of year</b>	<b>\$ 1,265,993</b>	<b>\$ -</b>	<b>\$ 1,265,993</b>

*The accompanying notes are an integral part of this financial statement.*

**THE ARC OF GREATER NEW ORLEANS**  
**STATEMENT OF ACTIVITIES**

*For the Year Ended June 30,*

*2016*

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Federal grant income	\$ 112,914	\$ -	\$ 112,914
State grant income	319,817	-	319,817
Contributions	452,074	-	452,074
United Way allocations	50,751	-	50,751
Client fees	1,064,969	-	1,064,969
Medicaid	5,451,278	-	5,451,278
Group home	170,257	-	170,257
Interest income	359	-	359
Other income	262,398	-	262,398
<b>Total Support and Revenues</b>	<b>7,884,817</b>	<b>-</b>	<b>7,884,817</b>
<b>EXPENSES</b>			
Program services			
Children's services	64,388	-	64,388
Employment services	164,327	-	164,327
Individual options	1,248,110	-	1,248,110
Project H.E.L.P.	3,023,104	-	3,023,104
Operations department	2,515,529	-	2,515,529
Family service coordination	185,421	-	185,421
Supporting services			
Management and general	1,188,386	-	1,188,386
Payments to affiliates	16,800	-	16,800
Fundraising	23,908	-	23,908
<b>Total Expenses</b>	<b>8,429,973</b>	<b>-</b>	<b>8,429,973</b>
<b>CHANGES IN NET ASSETS</b>	<b>(545,156)</b>	<b>-</b>	<b>(545,156)</b>
<b>NET ASSETS - Beginning of year</b>	<b>1,909,372</b>	<b>-</b>	<b>1,909,372</b>
<b>NET ASSETS - End of year</b>	<b>\$ 1,364,216</b>	<b>\$ -</b>	<b>\$ 1,364,216</b>

*The accompanying notes are an integral part of this financial statement.*

**THE ARC OF GREATER NEW ORLEANS**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*For the Year Ended June 30,*

**2017**

	Program Services					Supporting Services			Total
	Employment Services	Individual Options	Project H.E.L.P.	Arc Enterprises	Family Services Coordination	Management and General	Payments to Affiliates	Fundraising	
Salaries	\$ 110,068	\$ 861,801	\$ 2,415,284	\$ 925,084	\$ 122,513	\$ 532,133	\$ -	\$ 15,265	\$ <b>4,982,148</b>
Benefits	6,966	58,562	187,936	106,669	8,071	50,264	-	-	<b>418,468</b>
Payroll taxes	8,817	66,363	181,516	66,291	8,931	36,515	-	-	<b>368,433</b>
Professional services	5,137	62,262	14,457	13,634	7,183	83,481	-	-	<b>186,154</b>
Supplies	666	4,187	3,424	4,744	1,540	14,523	-	1,131	<b>30,215</b>
Advertising	12	18,493	373	129	17	77	-	-	<b>19,101</b>
Telephone	4,189	16,531	5,784	17,524	4,657	11,554	-	-	<b>60,239</b>
Postage	64	243	725	87	497	1,924	-	-	<b>3,540</b>
Occupancy	9,956	246,866	42,052	249,486	18,577	95,565	-	-	<b>662,502</b>
Repairs and maintenance	3,826	92,617	23,505	64,514	11,399	22,966	-	-	<b>218,827</b>
Local transportation	4,858	188,730	40,210	173,449	7,045	11,775	-	-	<b>426,067</b>
Travel, conferences, and training	1,169	3,804	23,315	5,385	804	1,405	-	-	<b>35,882</b>
Printing and publications	110	123	297	205	-	258	-	-	<b>993</b>
Membership dues	1,875	-	3,750	9,375	-	4,136	-	-	<b>19,136</b>
Other expenses	2,804	20,782	1,573	5,398	30	27,282	-	-	<b>57,869</b>
Payments to affiliates	-	-	-	-	-	-	16,800	31,298	<b>48,098</b>
Interest	-	2,438	-	17,421	-	15,826	-	-	<b>35,685</b>
Depreciation	199	75,588	-	59,098	-	9,065	-	-	<b>143,950</b>
	<b>\$ 160,716</b>	<b>\$ 1,719,390</b>	<b>\$ 2,944,201</b>	<b>\$ 1,718,493</b>	<b>\$ 191,264</b>	<b>\$ 918,749</b>	<b>\$ 16,800</b>	<b>\$ 47,694</b>	<b>\$ 7,717,307</b>

*The accompanying notes are an integral part of this financial statement.*

**THE ARC OF GREATER NEW ORLEANS  
STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30,

2016

	Program Services						Supporting Services			Total
	Children's Services	Employment Services	Individual Options	Project H.E.L.P.	Arc Enterprises	Family Services Coordination	Management and General	Payments to Affiliates	Fundraising	
Salaries	\$ 25,765	\$ 116,186	\$ 647,674	\$ 2,475,455	\$ 1,331,876	\$ 124,561	\$ 565,703	\$ -	\$ -	\$ 5,287,220
Benefits	3,204	8,223	77,357	195,602	116,728	2,739	48,418	-	-	452,271
Payroll taxes	7,509	8,006	48,874	185,870	99,467	9,637	52,711	-	-	412,074
Professional services	1,528	4,499	2,921	7,576	51,103	5,125	72,186	-	-	144,938
Supplies	1,121	1,490	5,533	3,399	86,663	1,011	13,699	-	-	112,916
Advertising	-	-	-	-	9,555	-	9,391	-	-	18,946
Telephone	180	2,777	16,806	5,290	19,634	2,949	8,571	-	-	56,207
Postage	3	197	203	570	8,011	677	2,221	-	-	11,882
Occupancy	22,123	10,727	202,552	48,945	342,092	22,630	82,349	-	-	731,418
Repairs and maintenance	2,452	4,278	32,788	40,347	109,914	9,344	13,358	-	-	212,481
Local transportation	72	4,543	113,552	43,423	209,988	6,413	13,673	-	-	391,664
Travel, conferences, and training	-	637	3,841	7,409	6,651	-	6,211	-	-	24,749
Printing and publications	-	137	41	153	548	137	87	-	-	1,103
Membership dues	-	-	-	-	-	-	4,294	-	-	4,294
Other expenses	431	2,487	5,089	9,065	35,245	198	281,367	-	23,908	357,790
Payments to affiliates	-	-	-	-	-	-	-	16,800	-	16,800
Interest	-	-	1,161	-	17,899	-	8,056	-	-	27,116
Depreciation	-	140	89,718	-	70,155	-	6,091	-	-	166,104
	\$ 64,388	\$ 164,327	\$ 1,248,110	\$ 3,023,104	\$ 2,515,529	\$ 185,421	\$ 1,188,386	\$ 16,800	\$ 23,908	\$ 8,429,973

The accompanying notes are an integral part of this financial statement.

**THE ARC OF GREATER NEW ORLEANS**  
**STATEMENTS OF CASH FLOWS**

<i>For the Years Ended June 30,</i>	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (98,223)	\$ (545,156)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loss on disposal of equipment	5,521	-
Depreciation	143,950	166,104
Changes in operating assets and liabilities:		
Accounts receivable	209,619	65,275
Prepaid expenses	(7,916)	22,348
Restricted trust fund	(18,109)	(4,762)
Other current assets	8,837	(17,930.00)
Accounts payable and accrued expenses	87,795	53,006
Deferred revenue	-	10,000
Compensated absences	(2,423)	5,341
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>329,051</b>	<b>(245,774)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(196,069)	(84,437)
<b>Net Cash Used In Investing Activities</b>	<b>(196,069)</b>	<b>(84,437)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	-	325,000
Proceeds from long-term debt	29,998	-
Payments on line of credit	(25,000)	-
Principal payments on long-term debt	(90,481)	(28,867)
<b>Net Cash (Used In) Provided By Financing Activities</b>	<b>(85,483)</b>	<b>296,133</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>47,499</b>	<b>(34,078)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>7,179</b>	<b>41,257</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 54,678</b>	<b>\$ 7,179</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 35,685	\$ 27,116

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

## THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Nature of Organization***

The Arc of Greater New Orleans (the Organization) was incorporated in July 1953. The Organization is committed to securing, for all people with intellectual disabilities, the opportunity to develop, function, and live to their fullest potential. Current services include: Children's Services (Early Intervention and Child Care), Family Services Coordination, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Arc Enterprises (Affirmative Businesses/Social Enterprises), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout a five-parish area (Orleans, Jefferson, Plaquemines, St. Tammany and St. Bernard). The majority of the Organization's revenue is derived from contracts for services with the State of Louisiana, Jefferson Parish, and various private contracts with businesses in the five-parish area.

#### ***Basis of Accounting***

The Organization prepares its financial statements using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

#### ***Basis of Presentation***

Financial statement presentation follows the guidance of Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization 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.

A description of the three net asset categories follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Organization are included in this category. The Organization has determined that any donation with donor-imposed restrictions for current or developing programs and activities that are generally met within the year the donation was received are record as unrestricted.
- Temporarily restricted net assets include realized gains and losses, investment income, and contributions for which donor-imposed restrictions have not been met. For the year ended June 30, 2017 and 2016, there were no temporarily restricted net assets.

## THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operation in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. For the years ended June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

#### ***Income Taxes***

Under the provisions of the Internal Revenue Code, Section 501(c)(3), and the applicable income tax regulations of Louisiana, the Organization is exempt from taxes on income other than unrelated business income. The Organization has also been classified as an entity that is not a private foundation in Section 170 (b)(1)(A)(vi). Since the Organization had no net unrelated business income during the years ended June 30, 2017 and 2016, no provision for income tax was made. Management does not believe there are any uncertain tax positions.

#### ***Functional Expense Allocation***

Functional expenses are allocated among the various program services, management and general, and fundraising categories based on actual use or management's best estimate.

#### ***Contributed Services***

Various functions of the Organization are conducted by unpaid officers, board members, and volunteers. The Organization recognizes donated services, if significant in amount, which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2017 and 2016, the Organization believes the value of contributed services meeting the requirements for recognition in the financial statements was not material and, therefore, has not recorded an amount for contributed services.

#### ***Use of Estimates***

The preparation of the Organization's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents.

#### ***Accounts Receivable***

All receivables at June 30, 2017 and 2016, are considered collectible by management; accordingly, an allowance for doubtful accounts is not considered necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off. For the years ended June 30, 2017 and 2016, management did not write off any outstanding receivables.

#### ***Restricted Trust Fund***

The Organization has a trust fund set up with the 501(c) Agencies Trust which is used for the payment of any unemployment claims that arise during the year. The Organization has a reimbursable account with the Louisiana Workforce Commission (LWC), so when a claim is made LWC pays the unemployment and the Organization then reimburses the LWC through their trust account with 501(c) Agencies Trust. For the years ended June 30, 2017 and 2016 the amount available in the trust for unemployment claims was \$72,567 and \$54,458, respectively.

#### ***Property and Equipment***

It is the Organization's policy to capitalize property and equipment over \$1,000 with a useful life of more than one year. Lesser amounts and amounts for assets with a life less than a year are expensed. Purchased property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives of buildings and leasehold improvements range from 10 to 31 years; and those of furniture and equipment, and autos, trucks and tractors range from 3 to 10 years.

#### ***Restricted and Unrestricted Revenue and Other Support***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**THE ARC OF GREATER NEW ORLEANS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

The Organization has concentrated its credit risk by maintaining deposits in banks that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017 and 2016, the Organization's cash deposits did not exceed the FDIC insured limit.

**NOTE 3 – COMPENSATED ABSENCES**

The Organization's employees receive from eight to seventeen days of annual paid leave upon completion of an introductory period, depending on employee classification. Annual leave vests with the employee, and, therefore, has been accrued up to a maximum accumulated cap of twenty days per employee. Unpaid compensated absences amounted to \$100,013 and \$102,436 at June 30, 2017 and 2016, respectively.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	2017	2016
Land	\$ 175,187	\$ 175,187
Buildings	694,338	694,338
Leasehold improvements	1,008,229	1,612,017
Furniture and equipment	408,750	462,015
Autos, trucks, and tractors	1,330,519	1,217,546
Total property and equipment	3,617,022	4,161,103
Less: accumulated depreciation	(2,131,616)	(2,722,295)
Property and equipment, net	\$ 1,485,406	\$ 1,438,808

Depreciation expense was \$143,950 and \$166,104 for the years ended June 30, 2017 and 2016, respectively.

**THE ARC OF GREATER NEW ORLEANS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – LINE OF CREDIT**

The Organization has a line of credit available totaling \$400,000. The unpaid principal balance bears interest at the Prime Rate plus 1.25%, adjusted quarterly, with a floor of 7.25%. Interest payments are due monthly. At June 30, 2017 and 2016, the Organization had an outstanding balance of \$300,000 and \$325,000 on its line of credit respectively. The line of credit is secured by all inventory, goods, and other items of personal property and receivables.

**NOTE 6 – LONG-TERM DEBT**

The Organization had the following long-term debt:

As of June 30,	2017	2016
4.00% note payable dated June 26, 2006 and refinanced in December 2008, with a maturity date of April 26, 2020, payable to the U.S. Small Business Administration in monthly installments of \$3,463, including interest, secured by real property.	\$ 108,961	\$ 145,336
6.75% variable note payable, dated June 5, 2008, due June 5, 2028, payable in monthly installments to Gulf Coast Bank of \$2,427, including interest, secured by real property.	-	14,927
4.95% note payable, dated February 14, 2014, due February 14, 2034, payable in monthly installments to Gulf Coast Bank of \$2,487, including interest, secured by real property.	336,516	349,127
5.17% note payable, dated October 22, 2014, due January 21, 2021, payable in monthly installments to Chrysler of \$527, including interest, secured by real property.	20,107	25,117
6.24% note payable, dated June 9, 2014, due June 9, 2019, payable in monthly installments to Ford Motor Credit of \$384, including interest, secured by real property.	8,682	12,639
6.84% note payable, dated October 15, 2014, due October 15, 2019, payable in monthly installments to Ford Motor Credit of \$489, including interest, secured by real property.	12,679	17,534
6.79% note payable, dated November 13, 2015, due November 15, 2019, payable in monthly installments to Ford Motor Credit of \$659, including interest, secured by real property.	17,666	24,178
6.79% note payable, dated December 9, 2016, due December 15, 2019, payable in monthly installments to Ford Motor Credit of \$585, including interest, secured by real property.	21,923	27,298

**THE ARC OF GREATER NEW ORLEANS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

6.94% note payable, dated May 24, 2017, due June 22, 2022, payable in monthly installments to Ford Motor Credit of \$593, including interest, secured by real property.

	<b>29,139</b>	-
Total Debt	<b>555,673</b>	616,156
Current maturities of long-term debt	<b>(79,268)</b>	(92,448)
Long-term debt	<b>\$ 476,405</b>	\$ 523,708

Principal payments for future fiscal years are as follows:

2018	\$	79,268
2019		83,698
2020		78,330
2021		12,763
2022		6,300
Thereafter		295,314
	<b>\$</b>	<b>555,673</b>

Interest expense on long-term debt for the years ended June 30, 2017 and 2016 was \$35,685 and \$27,116, respectively.

**NOTE 7 – RENT-FREE USE OF FACILITIES**

During 2017 and 2016, the Organization was furnished free use of facilities at four locations from unrelated parties. Consideration for the lease is the mutual benefits, advantages, and conveniences to be derived by the public in the operation of a public education facility. The aggregate fair market value of the use of these facilities is approximately \$30,464 per month. These amounts are recorded as contributions in support and revenues in the statements of activities and also occupancy expenses in the statements of functional expenses. The fair market value of the rent-free use of facilities amounted to \$365,573 and \$360,797 for the years ended June 30, 2017 and 2016, respectively. The commitments for the use of these facilities expire at various times through 2030. The Organization has made cumulative improvements to the buildings, which amount to approximately \$1,008,229 and are depreciating those improvements over the shorter of the economic life of improvements or the lease agreement.



## THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

### **NOTE 8 – MAJOR SUPPORT**

For the years ended June 30, 2017 and 2016, the Organization earned 69% and 61%, respectively, of its support and revenues from Medicaid reimbursement arrangements. Accounts receivable included \$798,520 and \$901,373 from Medicaid reimbursement sources for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, Medicaid receivables account for 83% and 77% of total accounts receivable, respectively.

### **NOTE 9 – ECONOMIC DEPENDENCY**

The Organization receives federal and state funding on a per diem per client/unit basis as well as state and parish grants on a per diem basis. If significant budget cuts are made at the state and/or local levels, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

### **NOTE 10 – PAYMENTS TO AFFILIATES**

The Organization paid \$16,800 and \$16,800 to The Arc of the United States and The Arc of Louisiana for the years ended June 30, 2017 and 2016, respectively for annual dues.

### **NOTE 11 – RETIREMENT PLAN**

Effective July 1, 1999, the Organization adopted a 401(k) retirement plan that covers most of its employees. The Organization matches 50% of employee salary contributions up to 6% of compensation. Matching contributions amounted to \$29,931 and \$27,346 for the years ended June 30, 2017 and 2016, respectively and is included in the benefits column on the statement of functional expense.

### **NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 13, 2017 and determined that there are no events that have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



**Supplementary Information**

**THE ARC OF GREATER NEW ORLEANS**  
**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD**

*Agency Head Name: Cliff Doescher, Executive Director and Stephen Sauer, Executive Director*

*For the Year Ended June 30,* **2017**

<i>Purpose</i>	<i>Amount</i>
Salary	\$ 132,998
Benefits-health insurance	2,010
Benefits-retirement	2,342
Deferred compensation	-
Workers comp	469
Benefits-life insurance	-
Benefits-long term disability	-
Benefits-Fica & Medicare	9,843
Car allowance	3,600
Vehicle provided by government	-
Cell phone	120
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	762
Travel	201
Registration fees	510
Conference travel	530
Unvouchered expenses	-
Meetings & conventions	-
Other	-
<b>Total</b>	<b>\$ 153,385</b>

*See independent auditors' report*



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

To the Board of Directors of  
The Arc of Greater New Orleans  
Metairie, Louisiana

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 Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements, and have issued our report thereon dated December 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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. Accordingly, this communication is not suitable for any other purpose.

*Caru, Riggs & Ingram, L.L.C.*

December 13, 2017



**THE ARC OF GREATER NEW ORLEANS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION I - SUMMARY OF AUDITORS' REPORTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of The Arc of Greater New Orleans (the Organization) (a nonprofit organization),
2. No instances of noncompliance material to the financial statements of the Organization were disclosed and identified during the audit.
3. No instances of noncompliance with laws, rules, and regulations that were disclosed and identified during the audit.

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS**

No findings noted.

**SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS**

No findings noted.



**THE ARC OF GREATER NEW ORLEANS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

None noted.

**SECTION III – COMPLIANCE FINDINGS**

None noted.

# The Arc of Greater New Orleans

## AGREED-UPON PROCEDURES REPORT

June 30, 2017



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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of  
The Arc of Greater New Orleans  
Metairie, Louisiana

We have performed the procedures enumerated below which were agreed to by the ARC of Greater New Orleans (ARC) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's statewide agreed-upon procedures (SUAPs) for the fiscal period July 1, 2016 through June 30, 2017. ARC's management is responsible for the C/C areas identified in the SAUPs.

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

Our procedures and findings are as follows:

### ***Written Policies and Procedures***

---

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

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

**Results:** No exceptions noted.

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.

**Results:** We noted ARC's policy does not include information on how vendors are added to the vendor list.

**Management response:** Management will update the policy to reflect method.

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

**Results:** No exceptions noted.

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

**Results:** No exceptions noted.

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

**Results:** No exceptions noted.

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

**Results:** We noted ARC did not have a policy for contracting services.

**Management response:** Management will research and create a policy.

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

**Results:** No exceptions noted.

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

**Results:** We noted ARC's policy does not include information on required approvers. No other exceptions noted.

**Management response:** Management will review and add pertinent information.

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

*This section is not applicable to ARC.*

- j) **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 ARC.*

### ***Board (or Finance Committee, if applicable)***

---

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

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

**Results:** We noted that ARC's bylaws require the board to meet monthly; however, the board only met 10 times during the year ended June 30, 2017.

**Management response:** The board will address this issue at its next meeting.

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

➤ 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.

**Results:** No exceptions noted.

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

**Results:** No exceptions noted.

### ***Bank Reconciliations***

---

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

**Results:** List and management's representation obtained. No exceptions noted.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP*

*engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

**Results:** No exceptions noted

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

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.

**Results:** We noted that there was no evidence of review of the reconciliations by a member of management or by a board member and that 24 of the 48 reconciliations selected had no proof of research for items greater than 6 months.

**Management response:** Management will perform and make note of these procedures.

### ***Collections***

---

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

**Results:** List and management's representation obtained. No exceptions noted.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

**Results:** No exceptions noted.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal

process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

**Results:** No exceptions noted.

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

**Results:** No exceptions noted.

- 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.

**Results:** No exceptions 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.

**Results:** No exceptions noted.

***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.

**Results:** List and management's representation obtained. No exceptions noted.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement

population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

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

**Results:** No exceptions noted.

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

**Results:** No exceptions noted.

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

**Results:** No exceptions noted.

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.

**Results:** We noted that the person responsible for processing payments has the ability to add vendors to the disbursement system.

**Management response:** The CFO will approve all vendor entries and monitor the list.

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.

**Results:** We noted that there is no documentation to report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

**Management response:** Management will design, implement, and monitor controls to address the required element above.

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.

**Results:** No exceptions noted.

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

*Not applicable*

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

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

**Results:** List and management's representation obtained. No exceptions noted.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

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

**Results:** No exceptions noted.

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

**Results:** No finance charges or late fees on the selected statements.

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

a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

**Results:** We noted that out of the 128 transactions selected, there were a total of three purchases that did not have supporting documentation. The total charges for these items were \$98.06. We noted one transaction that was for a personal item in the amount of \$52.99. The amount was subsequently paid back to ARC during the year ended June 30, 2017.

**Management response:** Management has noted the above.

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

**Results:** No exceptions noted, other than those identified in step 16 a).

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

**Results:** No exceptions noted, other than the one transaction identified in step 16 a) that was for personal usage.

---

## ***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.

**Results:** List and management's representation obtained. No exceptions noted.

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

**Results:** No exceptions noted.

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

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

**Results:** No exceptions noted.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

**Results:** No exceptions noted.

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

**Results:** No exceptions noted.

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

**Results:** 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.

**Results:** List and management's representation obtained. No exceptions noted.

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

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

**Results:** We noted that one of the five selections did not have a contract. No other exceptions noted.

- 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.

**Results:** This section is not applicable to ARC.

- 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.

**Results:** This section is not applicable to ARC.

- 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.

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).

**Results:** 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:

- 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.
- 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.

**Results:** List and management's representation obtained. No exceptions noted.

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.)

**Results:** No exceptions noted.

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

**Results:** We noted that out of our 25 selections, there was 1 time report that did not have approval.

**Management response:** Management has taken note of this occurrence and will monitor.

- 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.

**Results:** No exceptions noted.

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

**Results:** List and management's representation obtained. No exceptions noted.

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.

**Results:** No exceptions noted.

### ***Ethics (excluding nonprofits)***

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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.

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.

*This section is not applicable to nonprofits.*

### **Debt Service**

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

*This section is not applicable to nonprofits.*

### **Other**

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Results:** We noted that ARC did not have the notice required by R.S. 24:523.1 on the premises or on their website.

**Management response:** Management will implement this requirement.

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

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

*Cam, Riggs & Ingram, L.L.C.*

December 15, 2017