

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
BATON ROUGE, LOUISIANA

AUDITED FINANCIAL STATEMENTS
June 30, 2017 and 2016



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CPAs & Financial Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana Health and Rehabilitation Center, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Health and Rehabilitation Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Health and Rehabilitation Center, Inc. as of June 30, 2017 and 2016, 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.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer is required by Louisiana Revised Statute 24:513 (A)(3) and 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 standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting and compliance.

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CPAs & Financial Advisors
Baton Rouge, Louisiana
December 20, 2017



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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

(See Notes to Financial Statements)

June 30, 2017 and 2016

ASSETS

	June 30,	
	2017	2016
CURRENT ASSETS		
Cash	\$ 24,854	\$ 10,521
Restricted cash	1,610	552
Receivables	424,778	158,541
Due from Affiliate	22,640	-
Prepaid expenses	39,511	47,112
TOTAL CURRENT ASSETS	513,393	216,726
PROPERTY AND EQUIPMENT		
Furniture, Fixtures and Equipment	132,750	153,739
Vehicles	93,507	137,249
Building	1,792	268,940
Leasehold Improvements	129,715	179,213
TOTAL PROPERTY AND EQUIPMENT	357,764	739,141
Less Accumulated Depreciation	(243,329)	(418,745)
	114,435	320,396
Land	-	74,725
NET PROPERTY AND EQUIPMENT	114,435	395,121
OTHER ASSETS	1,041	1,129
TOTAL ASSETS	\$ 628,869	\$ 612,976



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LIABILITIES AND NET ASSETS

	June 30,	
	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 27,446	\$ 16,488
Accrued Payroll Liabilities	4,046	3,128
Accrued Insurance	13,112	14,318
Other Accrued Expenses	40,738	29,228
Amounts Held for Others	1,610	552
Due to Related Parties	87,362	465,477
Current portion of long term debt	<u>17,532</u>	<u>20,353</u>
 TOTAL CURRENT LIABILITIES	 191,846	 549,544
LONG-TERM LIABILITIES		
Notes payable	-	23,919
Notes Payable, Related Party	91,869	-
Less current portion of long term debt	<u>(17,532)</u>	<u>(20,353)</u>
 TOTAL LONG-TERM LIABILITIES	 <u>74,337</u>	 <u>3,566</u>
 TOTAL LIABILITIES	 266,183	 553,110
NET ASSETS		
Unrestricted	<u>362,686</u>	<u>59,866</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 628,869</u>	 <u>\$ 612,976</u>



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LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF ACTIVITIES
(See Notes to Financial Statements)
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUES		
Public Support:		
Reality House	\$ 597,297	\$ 570,215
Divine Intervention	247,830	172,054
Outpatient Substance Abuse	462,660	241,426
Access to Recovery	-	10,293
Cooperative Agreement to Benefit Homeless	18,484	-
Private Grants	124,956	32,008
Contributions	34,300	58,979
Rent	20,000	24,000
Interest Income	-	125
Gain on Disposal of Assets	94,666	-
Other	886	2,562
	<u>1,601,079</u>	<u>1,111,662</u>
EXPENSES		
Program Expenses:		
Management Fees	282,767	269,442
Payroll	349,009	304,257
Occupancy	183,072	178,121
Direct Services	114,956	89,518
Supplies	23,599	11,671
Depreciation	7,699	10,043
Professional Services	4,662	15
Bad Debt	40,240	9,568
Other	10,940	9,685
General and Administrative	281,315	259,554
	<u>1,298,259</u>	<u>1,141,874</u>
CHANGE IN NET ASSETS	302,820	(30,212)
NET ASSETS		
BEGINNING OF YEAR	59,866	90,078
END OF YEAR	<u>\$ 362,686</u>	<u>\$ 59,866</u>



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF CASH FLOWS
(See Notes to Financial Statements)
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 302,820	\$ (30,212)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	16,406	20,543
Decrease (Increase) in Assets:		
Receivables	(266,237)	(82,332)
Due from Affiliate	(22,640)	-
Prepaid expenses and other assets	7,689	(3,257)
(Decrease) Increase in Liabilities:		
Accounts payable and other liabilities	23,239	1,070
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	61,277	(94,188)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,252)	(1,099)
Purchase of building and improvements	(41,902)	-
NET CASH USED BY INVESTING ACTIVITIES	(52,154)	(1,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(23,919)	(19,238)
Advances from related parties net of repayments	30,187	121,533
NET CASH PROVIDED BY FINANCING ACTIVITIES	6,268	102,295
NET INCREASE IN CASH	15,391	7,008
BEGINNING CASH AND CASH EQUIVALENTS	11,073	4,065
ENDING CASH AND CASH EQUIVALENTS	\$ 26,464	\$ 11,073
RECONCILIATION OF CASH		
Cash, Unrestricted	\$ 24,854	\$ 10,521
Cash, Restricted	1,610	552
	\$ 26,464	\$ 11,073



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Louisiana Health and Rehabilitation Center, Inc. (LHRC) is a non-profit corporation whose purpose is to provide therapeutic psychiatric programs to eliminate inappropriate and maladaptive behaviors. Their services are designed to help persons with developmental disabilities, and severe and persistent behavioral problems reach their maximum functioning level in the community.

All programs are operated in southern Louisiana and are primarily funded by the State of Louisiana agencies through the Department of Health and Hospitals and by the City of Baton Rouge through the Office of Community Development.

Basis of Accounting – The financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation – LHRC reports 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, which are described as follows:

Unrestricted Net Assets are net assets that are not subject to donor-imposed stipulations and are available for use at the organization's discretion.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that the organization maintain the contribution permanently. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

LHRC does not have any temporarily or permanently restricted net assets for the year ended June 30, 2017 and 2016.

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

Revenue Recognition – Revenue from grants and contracts are recognized according to the specific agreement. Generally, revenues from grants are recognized in the period of the grant award while revenues from cost reimbursement contracts are recognized to the extent of services provided.

Cash and Cash Equivalents – For purposes of the statements of cash flows, LHRC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted Cash – LHRC, as custodial agent, maintains cash for clients in several of its programs. These amounts are segregated from LHRC's cash accounts.

Receivables – Bad debts are charged to operations in the year in which the account is determined uncollectible. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on the financial statements. No amounts for an allowance for bad debts have been established as LHRC expects to collect the balance in full.



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment – Purchased property and equipment is recorded at cost. Acquisitions of land, buildings, and improvements, furniture and equipment in excess of \$1,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful life of the assets. Estimated useful lives range from 5 to 15 years for most furniture, equipment, and major improvements and 39 years for buildings.

Depreciation expense was \$16,406 and \$20,543 for years ended June 30, 2017 and 2016, respectively.

Repair and maintenance costs are expensed as incurred. When property and equipment are retired or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective year.

Income Taxes – The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501c(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made; however, if the Organization should engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization has no unrelated business income for the years ended June 30, 2017 and 2016.

Paid Time Off – Although the paid time off benefit was terminated December 31, 2010 there remains a liability balance of \$2,332 at June 30, 2017 and 2016. When it was an active benefit, paid time off was earned at varying rates from two to four weeks per year depending on length of service. A maximum of two weeks paid time off could be carried over at each employee's anniversary date.

Advertising – LHRC follows the policy of charging the costs of advertising to expense as incurred. Advertising costs were \$403 and \$0 for the years ended June 30, 2017 and 2016, respectively.

Expense Allocation – Directly identifiable expenses are charges to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Reclassification - Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2: INCOME TAXES

The Organization follows FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of June 30, 2017 and 2016, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Generally, the tax years before June 30, 2014 are no longer subject to examination by federal, state, or local taxing authorities.



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 3: NONCASH INVESTING AND FINANCING ACTIVITIES

As discussed in NOTE 5, LHRC transferred fixed assets to satisfy a portion of the debt owed to a related party.

Building	\$ 267,148
Land	74,725
Accumulated Depreciation	(95,692)
Reduction of Related Party Debt, net	<u>(246,181)</u>
Cash Received on Disposal	<u>\$ 0</u>

NOTE 4: LONG TERM DEBT

Long-term debt consists of a 6% promissory note payable owed to Louisiana Health and Rehab Options, Inc. (LHRO), a related party, in 46 monthly installments of \$2,000, and maturing March 1, 2021.

Maturities of long-term debt for the years succeeding June 30, 2017, are as follows:

<u>Year</u>	<u>Amount</u>
FY18	\$ 17,532
FY19	20,085
FY20	21,323
FY21	<u>32,929</u>
	91,869
Current portion	<u>(17,532)</u>
Total	<u>\$ 74,337</u>

During the fiscal year, LHRC paid off a loan with a lending institution, secured by a building. Interest paid during the year ending June 30, 2017 and 2016 was \$763 and \$2,109, respectively.

NOTE 5: RELATED PARTY TRANSACTIONS

Johnson Management Group, LLC- LHRC contracts with Johnson Management Group, LLC, a company whose managing member is the Executive Director of LHRC. During the year ending June 30, 2017 and 2016, LHRC paid Johnson Management Group, LLC \$416,978 and \$387,741, respectively, for rent, administrative personnel and management fees under these agreements. Johnson Management Group provides Transitional Housing cost for LHRC's Divine program. These fees are refunded back to LHRC for providing the actual services at the site. The reimbursement rate is \$40 per day/per client, which includes shelter, substance abuse treatment, recreation and onsite support groups. The amounts received by Johnson Management Group and reimbursed back to LHRC totaled \$34,740 and \$31,085 during the year ending June 30, 2017 and 2016, respectively. Johnson Management Group, LLC also bills and collects rents on buildings and autos and submits these collections to the corresponding related party. The LHRC amounts collected for the year ending June 30, 2017 and 2016 was \$50,800 and \$57,600, respectively. Additionally, LHRC owed Johnson Management Group, LLC \$52,712 and \$25,021 at June 30, 2017 and 2016, respectively.

Temple Properties, LLC- LHRC leased premises from Temple Properties, LLC, for the year ended June 30, 2017 and 2016. The Executive Director of LHRC is a member and manager of Temple Properties, LLC. The rental expense incurred under these leases for the year ended June 30, 2017 and 2016 was \$59,400 and \$59,400, respectively. LHRC owed Temple Properties, LLC \$34,650 and \$29,700 for the year ended June 30, 2017 and 2016, respectively.



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5: RELATED PARTY TRANSACTIONS (CONTINUED)

Louisiana Health & Rehab Options, Inc. (LHRO) – LHRC leases office space and vehicles to LHRO, a Louisiana corporation owned solely by the Executive Director of LHRC. LHRC received \$20,000 and \$24,000 for the lease of office space for the years ending June 30, 2017 and 2016, respectively. This lease expires December 31, 2017. At June 30, 2017 and 2016, LHRC owed LHRO \$0 and \$410,756, respectively. As of June 30, 2017, LHRO owes LHRC \$22,640 for operating expenses. This amount will be paid back to LHRC within the next twelve months.

In order to diminish the liability owed to LHRO, LHRC transferred a building, the related note payable on the building, and a piece of land to LHRO. The two companies agreed that the reasonably estimated value of these properties was \$365,000. Additionally, LHRC takes on a promissory note in the amount of \$91,896, payable monthly to LHRO in \$2,000 installments. See NOTE 3.

Additionally, LHRC leases vehicles and office furniture from LHRO. The amount paid for the year ended June 30, 2017 and 2016 was \$1,137 and \$2,517, respectively. Both leases are on a month to month basis.

NOTE 6: OPERATING LEASES

LHRC leases one of its facilities, Reality House, from a related party for \$3,750 per month. The lease expires on June 30, 2018. Future minimum lease payments are \$45,000. Rent expense for June 30, 2017 and 2016 was \$45,000 and \$45,000, respectively.

LHRC leases one of its facilities, Pocahontas location, from a related party for \$1,200 per month. The lease expires on December 31, 2017. Future minimum lease payments are \$7,200. Rent expense for June 30, 2017 and 2016 was \$14,400 and \$14,400, respectively.

LHRC leases one of its facilities, Brookstown location, from a related party for \$3,400 per month. The lease expires on June 30, 2018. Future minimum lease payments are \$40,800. Rent expense for June 30, 2017 and 2016 was \$40,800 and \$40,800, respectively.

LHRC leases office space from a related party for \$1,400 per month. The lease expires on June 30, 2018. Future minimum lease payments are \$16,800. Rent expense for June 30, 2017 and 2016 was \$16,800 and \$16,800, respectively.

LHRC leases a copier on a month to month basis for \$494 per month plus additional usage charges. Lease expense was \$6,869 and \$5,821 for the year ended June 30, 2017 and 2016, respectively.

NOTE 7: ECONOMIC DEPENDENCY

LHRC derives its revenues from governmental sources as earned revenue or grants, the loss of which would have a material adverse effect on LHRC. During the year ended June 30, 2017 and 2016, revenue derived from governmental sources accounted for 91% and 92% of support recorded by LHRC, respectively.

NOTE 8: CONCENTRATION OF CREDIT RISK

LHRC has concentrated its credit risk for cash by maintaining deposits in a financial institution in Baton Rouge, Louisiana. As of June 30, 2017, LHRC's deposits were covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC).



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 9: CONTINGENCIES

Grants – LHRC receives federal and state contracts for specific purposes that are subject to audit by the agencies. Such audits could lead to requests for reimbursement to the agency for expenditures disallowed under terms of the contract. It is the opinion of management that LHRC's compliance with the terms of contracts will result in negligible, if any, disallowed costs.

Risk Management – Various lawsuits arise in the normal course of LHRC's business. Management believes that losses resulting from these matters, if any, will not have a material effect on the operations or financial position of LHRC.

NOTE 10: SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 20, 2017, the date the financial statements were available to be issued.



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development City of Baton Rouge/Office of Community Development Housing Opportunities for Persons with AIDS	14.241	N/A	\$ 212,040	\$ -
U.S. Department of Health and Human Services State of Louisiana/Department of Health and Hospitals Capital Area Human Services District Louisiana Chronic Homelessness Assistance and Treatment Services	93.243	N/A	18,442	-
* Temporary Assistance for Needy Families	93.959	SA50035	597,297	-
Total			<u>\$ 827,779</u>	<u>\$ -</u>

* Major Program

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Health and Rehabilitation Center, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of Louisiana Health and Rehabilitation Center, Inc., it is intended to and does not present the financial position, changes in net assets, or cash flows of Louisiana Health and Rehabilitation Center, Inc.



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO EXECUTIVE DIRECTOR
For the Year Ended June 30, 2017

Executive Director: Soundra J. Temple

Salary	\$ 24,933
Car allowance	\$ 5,169





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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
Louisiana Health and Rehabilitation Center, Inc.
Baton Rouge, 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 Louisiana Health and Rehabilitation Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Louisiana Health and Rehabilitation Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

This report is intended solely for the information and use of management, Louisiana Health and Rehabilitation Center, Inc.'s Board of Directors, others within the entity, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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CPAs & Financial Advisors
Baton Rouge, Louisiana
December 20, 2017



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Louisiana Health and Rehabilitation Center, Inc.
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Louisiana Health and Rehabilitation Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Louisiana Health and Rehabilitation Center, Inc.'s major federal program for the year ended June 30, 2017 and 2016. Louisiana Health and Rehabilitation Center, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Louisiana Health and Rehabilitation Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Louisiana Health and Rehabilitation Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Louisiana Health and Rehabilitation Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Louisiana Health and Rehabilitation Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017 and 2016.

Report on Internal Control Over Compliance

Management of Louisiana Health and Rehabilitation Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Louisiana Health and Rehabilitation Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louisiana Health and Rehabilitation Center, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, Louisiana Health and Rehabilitation Center, Inc.'s Board of Directors, others within the entity, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 20, 2017



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CPAs & Financial Advisors

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **None noted**
Material weaknesses: **None noted**
- C) Noncompliance which is material to the financial statements: **None noted**
- D) Significant deficiencies in internal control over major programs: **None noted**
- E) The type of report issued on compliance for major programs: **Unmodified opinion**
- F) Any audit findings which are required to be reported under Uniform Guidance: **None**
- G) Major program:

U.S. Department of Health and Human Services

State of Louisiana/Department of Health and Hospitals
Capital Area Human Services District
Temporary Assistance for Needy Families – CFDA 93.959

- H) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
 - I) Auditee qualified as a low-risk auditee under Uniform Guidance: **Yes**
- 2) Findings relating to the financial statements reported in accordance with Government Auditing Standards: **None Noted**
- 3) Findings and questioned cost relating to federal awards: **None Noted**



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SUMMARY OF FINDINGS AND RESPONSES
June 30, 2017

No findings noted



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SUMMARY OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2016

No findings noted



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Louisiana Health and Rehabilitation Center, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Louisiana Health and Rehabilitation Center, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain 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
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.
No Exceptions Noted.
 - c) **Disbursements**, including processing, reviewing, and approving
No Exceptions Noted.
 - d) **Receipts**, including receiving, recording, and preparing deposits
No Exceptions Noted.
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
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
No Exceptions Noted.

- 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
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
No Exceptions Noted.
- 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. Note: Ethics requirements are not applicable to nonprofits.
Not Applicable.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Not Applicable.

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.
Exception: The Board met with a quorum four out of the twelve months.
Management's Response/Corrective Action: LHRC Board meets quarterly in a quorum and this is documented in the LHRC-By Laws and Administrative Binder.
 - 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.
Exception: The Board meeting minutes did not reference or include monthly budget to actual comparisons. Management was not deficit spending.
Management's Response/Corrective Action: There will be a monthly budget to actual comparison prepared and presented to board members.
 - 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.
No Exceptions Noted.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
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;
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
Exception: Bank reconciliations showed no evidence of review by management or the Board.
Management's Response/Corrective Action: The Executive Director or a Board member will review the bank reconciliation each month and sign off on it.
 - c) 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.
Not Applicable.

Collections

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

Exception: There was no formal process to reconcile cash collections to the general ledger by collection location.

Management's Response/Corrective Action: Reconciling the collection documents to the bank statements to ensure all checks and cash were actually deposited will be added to our Financial Planning and Management Policies.

- 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.

Exception: We could not determine the number of days between collections and deposit because the date stamped collection documentation for the week we tested could not be located.

Management's Response/Corrective Action: LHRC will impress upon the accounting department the importance of keeping all documentation accounted for and readily available.

- 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.

Exception: Collection documentation is only used for checks received in the mail. Cash and checks physically brought to the locations are not supported by collection documentation.

Management's Response/Corrective Action: LHRC will implement a system and policy that will address cash and checks that are collected from all sources. A designated person will maintain a cash collection log sheet to document all cash and checks collected and the date they are collected. All cash or checks upon receipt will be copied, stamped, and documented.

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.

No Exceptions Noted.

Disbursements – General

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.

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.
No Exceptions Noted.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
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.
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.
Exception: The person responsible for processing payments is not prohibited from adding vendors to the disbursement system.
Management's Response/Corrective Action: LHRC has evaluated the risks and decided this was okay.
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.
Exception: The Chief Accountant has signatory authority and is also responsible for recording purchases.
Management's Response/Corrective Action: LHRC will follow the procedures in the Financial Planning and Management Policies.
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.
Exception: The supply of unused checks is maintained in a locked location but the Chief Accountant has signatory authority and access to the checks.
Management's Response/Corrective Action: LHRC will develop and implement a policy ensuring that the Accounting Clerk will request the exact number of checks from the person assigned to oversee the check stock, and then print out all of the marked vendor checks for signature and mailing. After all checks are printed, the Accounting Clerk will review the checks against the marked totals on the Unpaid Bills Report. If OK, forward A/P package (checks, invoices & A/P checklist) to assigned persons for signatures.

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.

Exception: Both of the signature stamps are kept in the locked safe but the Chief Accountant has access to the stamps and permission to stamp checks when the two signers are out of the office. The signed checks are given to the Office Manager/Receptionist to be mailed.

Management's Response/Corrective Action: The company has a dual signature requirement on the bank accounts, which include the Executive Director and a designated Program Director. An LHRC Board Member will be the custodian of both signature stamps for the company. A trusted accounting employee will be assigned by the Executive Director to oversee the check stock and keep the check stock stored in a locked safe. The Executive Director will ensure that checks are put in the mail and are not misappropriated before they are sent to the final destination.

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.

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.

Exception: The statements are reviewed by the Chief Accountant who is also an authorized card holder. The statements showed no sign of approval.

Management's Response/Corrective Action: LHRC will develop and implement a policy giving a designated employee the authorization to use and be in possession of the cards. A separate designated employee will review and approve the credit card statements in an effort to reduce the chance of fraud or error. The card billing statements will be signed and dated showing that the appropriate person reviewed the statement before being paid.

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

Exception: A late fee and finance charge was assessed on one of the three statements tested.

Management's Response/Corrective Action: LHRC will revise and implement its Credit Card/Debit policy to include a statement to impress upon employees that receipts have to be submitted within a certain number of days so that they can be paid off on time.

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)
Exception: Ten of the fifty-nine transactions tested were missing receipts.
Managements Response/Corrective Action: LHRC will revise its Credit Card/Debit Card policy to ensure that no credit card statements are paid without receipts for each transaction.
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
No Exceptions Noted.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
Exception: Entity policy states that purchases over \$1,000 must be sent out for bud, but there were two purchases tested that were higher than \$1,000 and were not sent out for bid.
Management's Response/Corrective Action: LHRC will revise its policy upon Board approval to ensure that purchases over \$2,500 are sent out for bids. Documentation of bids will be kept with the accounting department.
- 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.
No Exceptions Noted.
- c) 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.
No Exceptions Noted.

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.
Not Applicable.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
Not Applicable.

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.
Not Applicable.
 - 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.]
Not Applicable.
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
Not Applicable.
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
Not Applicable.
 - 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.
Not Applicable.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
Not Applicable.

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.
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:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
No Exceptions Noted.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
No Exceptions Noted.
 - c) 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.
Not Applicable.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
No Exceptions Noted.
 - e) 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).
Not Applicable.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
No Exceptions Noted.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
Not Applicable.

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.)
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.
No Exceptions Noted.
 - 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.
Not Applicable.
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.
Not Applicable.
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.
Exception: The 3/17/17 and 4/14/17 Federal withholdings were submitted after the required deadline.
Management's Response/Corrective Action: LHRC recognizes that deadlines are important and will impress upon our employees and contractors that they need to complete federal withholdings in a timelier manner.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
Not Applicable.

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.
Not Applicable.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
Not Applicable.
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.
Not Applicable.
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.
Not Applicable.

Other

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.
No Exceptions Noted.
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) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
No Exceptions Noted.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.
No Exceptions Noted.

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

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CPAs & Financial Advisors
Baton Rouge, Louisiana
December 20, 2017