

**@SOUTHWEST LOUISIANA
INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana**

**Audit of Financial Statements
September 30, 2018**

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STEVEN M. DEROUEN & ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
@Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of @Southwest Louisiana Independence Center, Inc., (a non-profit organization) which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors
@Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana
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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of @Southwest Louisiana Independence Center, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits and Other Payments to the Executive Director 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 is derived from the underlying accounting and other records to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 12, 2019, on my consideration of @Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering @Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
April 12, 2019

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Financial Position
As of September 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,492,870
Grants receivable		665,198
Prepaid expenses		13,689
		13,689
Total Current Assets		2,171,757

PROPERTY AND EQUIPMENT

Furniture and equipment		521,795
Building and improvements		673,280
		1,195,075
Less accumulated depreciation		(446,459)
		748,616
Land		150,000
		150,000
Net Property and Equipment		898,616

OTHER ASSETS

Deposits		5,033
		5,033

TOTAL ASSETS

\$ 3,075,406

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	79,795
Accrued payroll and related expenses		213,903
Other accrued expenses		6,328
Current portion of notes payable		12,176
		12,176
Total Current Liabilities		312,202

LONG TERM LIABILITIES

Notes payable - net of current portion		265,703
		265,703

TOTAL LIABILITIES

577,905

NET ASSETS

Unrestricted		2,497,501
		2,497,501
Total Net Assets		2,497,501

TOTAL LIABILITIES AND NET ASSETS

\$ 3,075,406

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Activities
For The Year Ended September 30, 2018

SUPPORT

Medicaid waiver program	\$	4,842,108
Federal grants		389,520
State grants		353,945
Private pay and veterans affairs		80,584
Special events and other		17,907
		17,907
Total Support		5,684,064

EXPENSES

Program expenses		5,491,187
Supporting services:		
Management and general		141,660
		141,660
Total Expenses		5,632,847

CHANGE IN NET ASSETS 51,217

UNRESTRICTED NET ASSETS - BEGINNING OF YEAR 2,446,284

UNRESTRICTED NET ASSETS - END OF YEAR \$ 2,497,501

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Cash Flows
For The Year Ended September 30, 2018

Cash Flows From Operating Activities	
Change in net assets	\$ 51,217
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	55,701
(Increase) decrease in operating assets:	
Grants receivable	46,394
Increase (decrease) in operating liabilities:	
Accounts payable	(32,381)
Accrued payroll and related expenses	14,157
Other accrued expenses	(1,742)
	<hr/>
Total Adjustments	82,129
	<hr/>
Net Cash Provided (Used) By Operating Activities	133,346
	<hr/>
Cash Flows From Investing Activities	
Purchase of property and equipment	(35,958)
	<hr/>
Net Cash Used By Investing Activities	(35,958)
	<hr/>
Cash Flows From Financing Activities	
Principal payments on bank loans	(11,470)
	<hr/>
Net Cash Provided (Used) by Financing Activities	(11,470)
	<hr/>
Net Increase (Decrease) In Cash	85,918
Cash - Beginning of Year	1,406,952
	<hr/>
Cash - End of Year	\$ 1,492,870
	<hr/> <hr/>
Supplemental Disclosure:	
Interest paid	\$ 12,935
	<hr/> <hr/>

See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Functional Expenses
For The Year Ended September 30, 2018

	Program Services	Supporting Services, Management & General	Total
Advertising	\$ 19,076	\$ -	\$ 19,076
Audit expense	13,100	-	13,100
Bank service charges	4,988	-	4,988
Depreciation	-	55,701	55,701
Education and training	5,603	-	5,603
Insurance	173,255	-	173,255
Legal fees	610	-	610
Payroll taxes/fringe expense	467,539	-	467,539
Postage	7,029	-	7,029
Purchased services	110,248	-	110,248
Interpreting services	86,988	-	86,988
Rent	48,000	-	48,000
Repairs and maintenance	28,045	-	28,045
Salaries	4,352,668	-	4,352,668
Supplies	43,626	-	43,626
Telephone	25,678	-	25,678
Travel	42,961	-	42,961
Utilities	23,030	-	23,030
Consumer expenses	14,129	-	14,129
Office expenses	17,071	51,215	68,286
Interest	-	12,935	12,935
Miscellaneous	7,543	21,809	29,352
Total Program Expenses	<u>\$ 5,491,187</u>	<u>\$ 141,660</u>	<u>\$ 5,632,847</u>

See accompanying notes to the financial statements.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

@Southwest Louisiana Independence Center, Inc. was organized under Section 501 (c)(3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing support services to the physically disabled and their families. A significant portion of the Center's revenues are Medicaid payments received for providing patient care services to Medicaid eligible individuals. The Center also receives grants from the U.S. Department of Education and the State of Louisiana Department of Social Services. The Center is not classified as a private foundation by the Internal Revenue Service.

Income Taxes

The Center is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the financial statements. @Southwest Louisiana Independence Center, Inc.'s Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three (3) years after it was filed.

Basis of Accounting

The accompanying financial statements of @Southwest Louisiana Independence Center, Inc. have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles. Net assets and revenues, expense, gains and losses are classified based on the existence or absence of grantor/contributor imposed or time restrictions.

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) 958-205-50, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-50, the Center is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets, which represent the expendable resources that are available for operations at management's discretion,
- Temporarily restricted net assets, which represent resources restricted by grantors or contributors as to purpose or by the passage of time, and
- Permanently restricted net assets, which represent resources that are limited by grantor or contributor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Center had bank deposits of \$1,484,498 at September 30, 2018 with a carrying value of \$1,492,870, which includes \$300 in petty cash.

For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Center maintains bank accounts at various banks, where account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Center maintains deposit balances that exceed federally insured limits. The Center deposits its cash with high quality financial institutions, and management believes the Center is not exposed to significant credit risk on those amounts.

Use of 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.

Property and Equipment/Depreciation and Amortization

Property and equipment are recorded at their historical cost. Donated assets are recorded at their estimated fair value on the date of the donation. Capital assets are defined as those acquired with an initial individual cost of more than \$500. Repairs and maintenance are charged to operations when incurred.

Furniture and equipment are being depreciated over estimated useful lives of three to fifteen years. The building is being depreciated over an estimated useful life of thirty-five years. The straight-line method of depreciation is being utilized. Depreciation expense was \$55,701 for the year ended September 30, 2018.

Compensated Absences

The Center has a contingent liability in the amount of \$22,838 at September 30, 2018 for unused vacation. Sick leave is not vested, therefore no accrual is reflected in the financial statements.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$19,076 for the year ended September 30, 2018.

Grants and Contributions

Grants and contributions are recognized as income when received. The Board reports grants as temporarily restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned. Grants and contributions that are restricted by the grantor or donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the grants and contributions are recognized.

NOTE 2 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of September 30, 2018:

Property and Equipment, October 1, 2017	\$ 1,323,017
Additions for the Year Ended September 30, 2018	35,958
Disposals for the Year Ended September 30, 2018	<u>(13,900)</u>
Property and Equipment, September 30, 2018	<u>\$ 1,345,075</u>
Accumulated Depreciation, October 1, 2017	\$ 404,658
Depreciation for the Year Ended September 30, 2018	55,701
Less Depreciation on Disposed Assets for the Year Ended September 30, 2018	<u>(13,900)</u>
Accumulated Depreciation, September 30, 2018	<u>\$ 446,459</u>
Net Book Value, September 30, 2018	<u>\$ 898,616</u>

NOTE 3 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. Management is not aware of any disallowed costs as of September 30, 2018.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2018

NOTE 4 - GRANTS RECEIVABLE

Grants receivable at September 30, 2018 consisted of reimbursements for expenses incurred in the following programs:

<u>Program</u>	<u>Amount</u>
Telecommunications Device Distribution	\$ 3,460
State Personal Care Attendant Contract	2,088
State Independent Living Contract	15,771
Elderly Disabled Adults	455,464
SLIC Interpreting	14,749
Children's Choice	12,135
Long Term Personal Care Services	97,369
Supportive Employment	22,930
Private Pay	8,328
Other	3,358
Veterans Affairs	25,346
Drew Grant	<u>4,200</u>
Total Receivable	<u>\$ 665,198</u>

NOTE 5 - OPERATING LEASES

The Center currently leases office space for the Lafayette and Leesville offices. The lease agreement for the Lafayette site is for a 72-month period beginning May 20, 2016 with a monthly fee of \$3,000 ending on June 30, 2022. The original lease agreement for the Leesville site was for a 36-month period beginning February 1, 2014 through January 31, 2017 with a monthly fee of \$1,000. The lease was allowed to automatically renew for a period of 12 months. Total rent expense reflected in these financial statements for the year ended September 30, 2018 was \$48,000.

The following is a schedule of future minimum rental payments due under the non-cancelable lease agreements for the years ending September 30:

2019	\$ 40,000
2020	\$ 36,000
2021	\$ 36,000
2022	\$ 27,000

NOTE 6 - RISK MANAGEMENT

The Center has purchased commercial insurance for its general liability and worker's compensation insurance. They have not retained any risk with relation to these activities.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2018

NOTE 7 - ECONOMIC DEPENDENCY

The Center receives the majority of its revenue from funds provided by state and federal grants as well as through a contract for patient care services provided to Medicaid eligible individuals. If significant budget cuts are made at the federal and/or state level or the Medicaid contract is not renewed, the amount of funds the Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

NOTE 8 - RETIREMENT PLAN

The Center participates in a SIMPLE IRA retirement plan for the benefit of its employees. The plan allows employees who anticipate earning more than \$5,000 in the current year to participate and allows them to contribute a percentage of their pay or a flat dollar amount up to a maximum annual contribution of \$12,500. The plan requires employer-matching contributions on a dollar-for-dollar basis up to 3% of each employee's compensation. The employer may elect, upon advance notice to the employees, to make a maximum match of less than 3% but not less than 1% of employee's compensation; however, this election can only be made during two out of any consecutive five-year periods. Employer matching contributions for the fiscal year ended September 30, 2018 was \$12,662.

NOTE 9 - LINE OF CREDIT

The Center has a line of credit with an available limit of \$50,000. Interest accrues and is payable monthly at 5.70% on any outstanding balance. The line is secured by the Center's deposits held by the lender. The balance due on this line of credit was \$-0- as of September 30, 2018.

NOTE 10 - FAIR VALUE OF INSTRUMENTS

The Center has a number of financial instruments, none of which is held for trading purposes. The Center estimates that the fair value of all financial instruments at September 30, 2018 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Center using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, grants receivable, prepaid expenses, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2018

NOTE 11 -NOTES PAYABLE

Notes payable as of September 30, 2018 consisted of the following:

Bank note dated November 6, 2014, payable in 120 equal monthly installments of \$2,033.71, the final payment to be paid November 5, 2024, including interest at 4.49%, collateralized by real estate with a carrying value of \$827,958.	<u>\$ 277,879</u>
Total debt	277,879
Less current portion	<u>12,176</u>
Long-term debt	<u><u>\$ 265,703</u></u>

Maturities of debt are as follows:

September 30:	Amount
2019	\$ 12,176
2020	12,687
2021	13,268
2022	13,877
2023	14,513
Thereafter	<u>211,358</u>
Total	<u><u>\$ 277,879</u></u>

NOTE 12 -SUBSEQUENT EVENT

The Center evaluated its September 30, 2018 financial statements for subsequent events through the date the financial statements were available to be issued. The Center is not aware of any subsequent events which require recognition or disclosure in the financial statements.

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

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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*

The Board of Directors
@Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of @Southwest Louisiana Independence Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated April 12, 2019.

Internal Control over Financial Reporting

In planning and performing my audit, I considered @Southwest Louisiana Independence 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of @Southwest Louisiana Independence Center, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of @Southwest Louisiana Independence 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.

The Board of Directors
@Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether @Southwest Louisiana Independence Center, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See item 2018-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of 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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
April 12, 2019

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Schedule of Prior Year Audit Findings
September 30, 2018

PRIOR YEAR FINDINGS

There were no prior year financial statement findings.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.

**Schedule of Compensation, Benefits and Other
Payments to the Executive Director**

Year Ended September 30, 2018

NO COMPENSATION PAID FROM PUBLIC FUNDS

Agency Head: Mitch Granger, Executive Director

Purpose	Amount
Salary	\$ 0.00
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by Center	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

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AGREED-UPON PROCEDURES REPORT

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD OF OCTOBER 1, 2017 THROUGH SEPTEMBER 30, 2018

To the Board of Directors and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by @Southwest Louisiana Independence Center, Inc. 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 October 1, 2017 through September 30, 2018. 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, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

Observations: *The Center's written policies and procedures do not address the process of adding vendors to the vendor list. The Center also does not have a contracting policy.*

Management's Response: *The Center's written policies and procedures will be revised to address both items listed as "observations".*

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

There were no observations noted in the prior year's "Board or Finance Committee" testing, therefore the above procedures are not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Observation: Noted one bank account with unresearched outstanding checks over 12 months old.

Management's Response: The Center will research the outstanding checks over 12 months old and will re-issue the check to the recipient or will remit the funds to the Louisiana Unclaimed Property Division.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

These procedures are not applicable to the grants received by the Non-Profit Organization.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Observations: The employee responsible (Accountant) for processing payments also adds and/or modifies the vendor files. The employee responsible (Accountant) for mailing payments also is responsible for processing payments.

Management's Response: The Center employ's compensating controls whereby the Executive Director reviews all purchases prior to payment. Also, the Executive Director reviews all unopened bank statements. Finally, the Payroll Specialist reconciles the Center's bank accounts.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were no observations noted resulting from the application of these procedures.

Travel and Travel-Related Expense Reimbursements

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There were no observations noted in the prior year's "Travel and Travel-Related Expense Reimbursements" testing, therefore the above procedures are not applicable.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

There were no observations noted in the prior year's "Contracts" testing, therefore the above procedures are not applicable.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

There were no observations noted resulting from the application of these procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

These procedures are not applicable to the grants received by the Non-Profit Organization.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

These procedures are not applicable to the grants received by the Non-Profit Organization.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

There were no observations noted resulting from the application of these procedures.

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

The purpose of this report is solely to describe the scope of testing performed on those 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.

Steven M. DeRouen & Associates

January 25, 2019
Lake Charles, Louisiana