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**FIRSTLINE SCHOOLS, INC.**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**TOGETHER WITH**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 09 2018

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**FirstLine Schools, Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **FirstLine Schools, Inc. (FirstLine)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**FirstLine Schools, Inc.**

**Auditors' Responsibility, Continued**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 **FirstLine** as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**FirstLine Schools, Inc.**

**Other Matters**

*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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) 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. Also, the accompanying combining schedules and the accompanying Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**FirstLine Schools, Inc.**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018 on our consideration of **FirstLine'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 **FirstLine's** internal control over financial reporting and compliance.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

April 30, 2018

**FIRSTLINE SCHOOLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

**ASSETS**

Cash and cash equivalents (NOTES 1 and 4)	\$ 918,991
Cash held for others	166,172
Grants receivable (NOTE 8)	1,323,618
Other receivables	733,357
Prepaid expenses	22,078
Property and equipment, net (NOTES 1 and 2)	<u>1,202,740</u>
 Total assets	 <u><u>\$ 4,366,956</u></u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>	
Accounts payable	\$ 1,900,599
Accrued liabilities	1,060,091
Funds held on behalf of others	166,172
Loan payable (NOTE 13)	<u>740,740</u>
 Total liabilities	 <u>3,867,602</u>
 <b>Net Assets:</b>	
Unrestricted	(171,882)
Temporarily restricted	<u>671,236</u>
 Total net assets	 <u>499,354</u>
 Total liabilities and net assets	 <u><u>\$ 4,366,956</u></u>

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

**FIRSTLINE SCHOOLS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUES</u></b>			
Local sources:			
Minimum Foundation Program	\$ 16,231,945	\$ -	\$ 16,231,945
Management fee	76,743	-	76,743
Contributions	1,784,443	1,735,522	3,519,965
Interest earnings	3,499	-	3,499
Fundraising activities	3,059	-	3,059
Other	443,083	-	443,083
Total local sources	<u>18,542,772</u>	<u>1,735,522</u>	<u>20,278,294</u>
State sources:			
Minimum Foundation Program	12,591,154	-	12,591,154
Grants	173,622	-	173,622
Total state sources	<u>12,764,776</u>	<u>-</u>	<u>12,764,776</u>
Federal grants	<u>8,751,380</u>	<u>-</u>	<u>8,751,380</u>
Net assets released from restrictions (NOTE 7)	<u>1,064,286</u>	<u>(1,064,286)</u>	<u>-</u>
Total revenues	<u>41,123,214</u>	<u>671,236</u>	<u>41,794,450</u>
<b><u>EXPENSES</u></b>			
Program Services:			
Instruction programs	16,440,521	-	16,440,521
Support Services:			
Pupil support services	7,885,962	-	7,885,962
Instructional staff services	1,795,054	-	1,795,054
School administration	4,055,860	-	4,055,860
Business services	3,981,667	-	3,981,667
Operations and maintenance	3,041,710	-	3,041,710
Student transportation services	3,311,563	-	3,311,563
Central services	615,092	-	615,092
Food services operations	3,636,686	-	3,636,686
Fundraising	53,318	-	53,318
Depreciation	350,849	-	350,849
Total expenses	<u>45,168,282</u>	<u>-</u>	<u>45,168,282</u>
Changes in net assets	(4,045,068)	671,236	(3,373,832)
Net assets, beginning of year	<u>3,873,186</u>	<u>-</u>	<u>3,873,186</u>
Net assets, end of year	<u>\$ (171,882)</u>	<u>\$ 671,236</u>	<u>\$ 499,354</u>

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

**FIRSTLINE SCHOOLS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Changes in net assets	\$ (3,373,832)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation expense	350,849
Non cash revenue item related to interest free loan	(59,260)
Changes in assets and liabilities:	
Decrease in prepaid expense	201,407
Increase in grants receivable	(252,588)
Decrease in other receivables	585,137
Decrease in other assets	53,697
Increase in accounts payable	1,129,755
Decrease in accrued liabilities	(478,400)
Increase in funds held on behalf of others	47,275
Net cash used in operating activities	<u>(1,795,960)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchases of property and equipment	<u>(329,822)</u>
Net cash used in investing activities	<u>(329,822)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds from loan payable	<u>800,000</u>
Net cash provided by investing activities	<u>800,000</u>
Decrease in cash and cash equivalents	(1,325,782)
Cash and cash equivalents, beginning of year	<u>2,410,945</u>
Cash and cash equivalents, end of year	<u>\$ 1,085,163</u>

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

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY  
OF SIGNIFICANT ACCOUNTING POLICIES:

General

**FirstLine Schools, Inc. (FirstLine)** is a nonprofit organization formed in 1998 to serve as the chartering group for Arthur Ashe Charter School (Ashe) formerly known as New Orleans Charter Middle School (NOCMS). **FirstLine** was also granted charters by the Louisiana Board of Elementary and Secondary Education (BESE) to operate Samuel J. Green Charter School (Green) beginning in the 2005-2006 school year, Phillis Wheatley Charter School (Wheatley) beginning in the 2010-2011 school year, Joseph S. Clark Charter School (Clark) beginning in the 2011-2012 school year and Langston Hughes Charter School (Hughes) beginning in the 2012-2013 school year. **FirstLine** will transfer governance for four of their five charters (Ashe, Green, Wheatley and Langston Hughes) to Orleans Parish School Board on July 1, 2017. The board of directors consists of individuals with experience in business and education that have an interest in public education.

The mission of **FirstLine** is to create and inspire great open admissions public schools in New Orleans. **FirstLine's** schools will prepare students for college and fulfilling careers by achieving the following primary objectives:

- o Ensuring all of its students are on track to be academically prepared for success in a college preparatory high school and college as demonstrated by achievement, aspiration, love of learning, and confidence;
- o Providing a rich variety of experiences for its students to nurture character, health, and active citizenship; and
- o Developing the skillfulness of its staff and building sustainable organizations that facilitate its long-term success.

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

General, Continued

In the 2016-2017 school year, Green, Ashe, Wheatley, Clark and Hughes served the following number of students:

Green	493
Ashe	747
Wheatley	730
Clark	201
Hughes	<u>798</u>
Total	<u>2,969</u>

Basis of Accounting

**FirstLine's** financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Use of Estimates

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

Property and Equipment

Property and equipment of **FirstLine** with a cost of \$5,000 or more are recorded as assets (capitalized) and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Property and Equipment, Continued

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenses are made by **FirstLine**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less. The caption cash and cash equivalents on the Statement of Cash Flows includes cash and cash equivalents and cash held for others from the Statement of Financial Position.

Income Taxes

**FirstLine** is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

**FirstLine** files as a tax-exempt organization. Should that status be challenged in the future, **FirstLine's** 2017, 2016 and 2015 tax years are open for examination by the IRS.

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY  
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Financial Statement Presentation

For the year ended June 30, 2017, **FirstLine** followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*, in the presentation of its financial statements. Under FASB ASC Section 958-205, **FirstLine** is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. In addition, **FirstLine** is required to present a statement of cash flows.

A description of the three net asset categories is as follows:

- o Unrestricted net assets include support, revenues, and expenses for the general operations of **FirstLine**.
- o Temporarily restricted net assets include contributions for which donor-imposed restrictions have not been met.
- o Permanently restricted net assets are contributions which are required by donor-imposed restriction to be held in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

At June 30, 2017, **FirstLine** had no permanently restricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2017.

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY  
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Contributions

**FirstLine** accounts for contributions in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition*, in accounting for contributions received and contributions made. In accordance with FASB ASC Section 958-605, contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of any donor imposed restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Minimum Foundation Program (MFP)

As Type 5 charter schools, Ashe, Green, Wheatley, Clark and Hughes received funding from BESE in an amount for pupils based on estimated daily attendance of pupils at the schools. The amount of funding received is adjusted during the school year based on the October 1<sup>st</sup> and February 1<sup>st</sup> student counts and the results of any audits performed.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among program and support services in the accompanying statement of activities.

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Vacation Leave

Vacation for full-time employees is accrued on a monthly basis. Employees receive two (2) weeks annual vacation for the first five (5) years of employment. After five (5) years, employees receive three (3) weeks of vacation. After eleven (11) years, employees receive four (4) weeks of vacation.

Paid Leave

Employees earn ten (10) days paid leave per year to be used in the event of their own illness, a family illness, bereavement, or personal business. Such paid leave may be used for the purpose of visiting doctors, dentist or other recognized practitioners. Employees may also use paid leave for the above reasons when it relates to immediate family members only. Paid leave cannot be carried from one year to the next, and **FirstLine** will not pay the employee for unused leave upon termination.

NOTE 2 - PROPERTY AND EQUIPMENT:

The following is a summary of property and equipment at June 30, 2017:

Land	\$ 181,485
Building improvements	2,314,935
Equipment	<u>2,200,733</u>
Total property and equipment	4,697,153
Less: accumulated depreciation	<u>(3,494,413)</u>
Net property and equipment	\$ <u>1,202,740</u>

For the year ended June 30, 2017, depreciation expense was \$350,849.

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 3 - RISK MANAGEMENT:

**FirstLine** is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **FirstLine** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 4 - CONCENTRATION OF CREDIT RISK:

**FirstLine** maintains noninterest-bearing and interest-bearing accounts at local banks. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage on deposit accounts for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. Total uninsured cash balances at June 30, 2017 were \$668,992.

NOTE 5 - CONTINGENCY:

**FirstLine** is a recipient of grants from local, state and federal funding agencies. The grants are governed by various local, state and federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **FirstLine** and are subject to audit and/or review by grantors. Any grant funds found to be not properly spent in accordance with the terms, conditions, and regulations of local, state and federal agencies may be subject to recapture.

NOTE 6 - IN-KIND CONTRIBUTIONS:

**FirstLine** received rent-free use of school buildings and certain furniture and equipment from the Louisiana Recovery School District for Ashe, Green, Clark and Hughes Charter Schools. The estimated values of the buildings, furniture and equipment were not readily determinable and no amounts have been recorded in the accompanying financial statements.

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 6 - IN-KIND CONTRIBUTIONS, CONTINUED:

**FirstLine** also receives donated services from a number of unpaid volunteers assisting **FirstLine** with its programs, activities, and operations. An estimated value of these services cannot be reasonably determined as a result of the variety of services provided by and the varying qualifications of the volunteers. Because the criteria for recognition under FASB ASC Section 958-605-25 have not been satisfied, these donated services are not recorded in the financial statements.

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS:

For the year ended June 30, 2017, net assets were released from donor restrictions in the amount of \$1,064,286 by incurring expenses satisfying the restricted purposes specified by donors for the Edible School Yard Program.

NOTE 8 - GRANTS RECEIVABLE:

At June 30, 2017, grants receivable consisted of the following sources:

Federal	\$ 468,950
Local	<u>854,668</u>
	<u>\$1,323,618</u>

NOTE 9 - SUBSEQUENT EVENTS:

**FirstLine** is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **FirstLine** performed such an evaluation through April 30, 2018, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date requiring recognition or disclosure.

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 10 - BOARD COMPENSATION:

The Board of Directors of **FirstLine** is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2017.

NOTE 11 - CONCENTRATION OF REVENUE SOURCE:

**FirstLine's** primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. **FirstLine** receives a State allocation and a local allocation per eligible student in attendance at the official pupil count date of October 1<sup>st</sup>, each year. MFP revenue accounts for 69% of **FirstLine's** total support for the year ended June 30, 2017.

NOTE 12 - OPERATING LEASE:

In April 2013, **FirstLine** entered into a lease agreement with the Wheatley School Facility Foundation, Inc. for the use of Phyllis Wheatley Elementary School facilities and grounds. The lease provides for monthly payments of \$27,280 for the first two years from the effective date, increasing thereafter at 1 ½% per year. The new lease shall commence on the effective date and shall remain effective for seven (7) years, unless terminated in accordance with the term of the underlying master lease agreement or charter school contract.

Future minimum commitments under the Wheatley lease agreement are as follows.

<u>Year</u>	<u>Amount</u>
2018	\$ 343,597
2019	348,571
2020	353,982
2021	<u>268,463</u>
Total	<u>\$1,314,793</u>

**FIRSTLINE SCHOOLS, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 13 - Loan Payable:

A private foundation has provided an unsecured, interest-free loan totaling \$800,000 for **FirstLines's** operations. Principal on the loan is due in full at maturity in the 2019 fiscal year. When the loan proceeds were advanced, **FirstLine** recorded contribution revenue and a loan discount using an 8% rate. The loan is reported in the statement of financial position net of unamortized discount of \$59,260 at June 30, 2017.

## **SUPPLEMENTARY INFORMATION**

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SCHEDULE I**

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Education</u></b>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: LA State Department of Education</u>		
IASA Title I, Part A	84.010	\$ 1,940,012
IASA Title II, Part A	84.367	243,781
IASA Title III, Part A	84.031	20,994
IDEA, Part B	84.027	758,707
IDEA B- High Cost Services	84.282C	154,409
IDEA, Preschool	84.173	7,724
21st Century	84.287	337,268
State Personnel Development Grant	84.323	8,585
Striving Readers Comprehensive Literacy	84.371	264,222
School Improvement Grants (Section 1003(g) of the ESSEA)	84.377	1,009,011
Total LA State Department of Education		<u>4,744,713</u>
 <u>Passed-Through: New Orleans Business Alliance</u>		
Perkins	84.048	11,269
Total New Orleans Business Alliance		<u>11,269</u>
 <u>Passed-Through: New Schools for New Orleans</u>		
Teacher Incentive Fund	84.374	93,068
CSP	84.282C	22,000
Total New Schools for New Orleans		<u>115,068</u>
<b>Total U.S. Department of Education</b>		<u><b>4,871,050</b></u>
 <b><u>U. S Department of Homeland Security</u></b>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: Governor's Office of Security and Emergency Preparedness</u>		
FEMA Disaster Relief	97.036	24,720
<b>Total U.S. Department of Homeland Security</b>		<u><b>24,720</b></u>

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE I

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>		
<i><u>Direct Awards</u></i>		
Farm to School Grant Program	10.575	\$ 50,000
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: LA State Department of Education</u>		
Child Nutrition Cluster:		
Summer Feeding	10.559	52,712
National School Lunch Program and Breakfast Program	10.555, 10.553	2,405,988
Fresh Fruit and Vegetable Program	10.582	63,150
Total Child Nutrition Cluster		<u>2,521,850</u>
<u>Passed-Through: LA State Department of Education</u>		
Child and Adult Care Food Program	10.558	1,084,928
<b>Total U.S. Department of Agriculture</b>		<u>3,656,778</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<u>Passed-Through: Recovery School District</u>		
Temporary Assistance for Needed Families	93.558	198,832
<b>U.S. Department of Health and Human Services</b>		<u>198,832</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 8,751,380</u>

NOTE: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **Firstline** under programs of the federal government for the year ended June 30, 2017 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic financial statements.

See Independent Auditors' Report on Supplementary Information.

**FIRSTLINE SCHOOLS, INC.**  
**COMBINING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2017**

SCHEDULE II

	Edible School Yard	FirstLine Network Activity	Arthur Ashe Charter School	Samuel J. Green Charter School	Phillis Wheatley Charter School	Joseph S. Clark Charter School	Langston Hughes Academy Charter School	Eliminations	Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ 4,445	\$ 787,906	\$ 43,420	\$ 1,974	\$ 934	\$ 2,003	\$ 78,309	\$ -	\$ 918,991
Cash held for others	-	-	49,969	15,059	42,310	7,812	51,022	-	166,172
Grants receivable	600,000	32,571	30,874	122,263	212,842	172,199	152,869	-	1,323,618
Other receivables	2,177	665,052	8,374	24,409	13,200	1,812	18,333	-	733,357
Due from other programs	300,344	4,137,312	3,629,139	2,112,696	2,415,918	946,406	3,097,238	(16,639,053)	-
Prepaid expenses	369	12,041	288	2,342	4,392	2,079	567	-	22,078
Property and equipment, net	-	204,582	413,100	84,033	393,209	1,747	106,069	-	1,202,740
<b>Total assets</b>	<b>\$ 907,335</b>	<b>\$ 5,839,464</b>	<b>\$ 4,175,164</b>	<b>\$ 2,362,776</b>	<b>\$ 3,082,805</b>	<b>\$ 1,134,058</b>	<b>\$ 3,504,407</b>	<b>\$ (16,639,053)</b>	<b>\$ 4,366,956</b>
<b>LIABILITIES AND NET ASSETS</b>									
Liabilities:									
Accounts payable	\$ -	\$ 335,675	\$ 443,681	\$ 261,794	\$ 344,402	\$ 145,185	\$ 369,862	\$ -	\$ 1,900,599
Accrued liabilities	16,658	13,181	241,925	162,973	249,104	124,435	251,815	-	1,060,091
Funds held on behalf of others	-	-	49,969	15,059	42,310	7,812	51,022	-	166,172
Loan payable	-	740,740	-	-	-	-	-	-	740,740
Due to other programs	327,199	7,298,448	1,966,984	1,886,572	2,337,970	926,437	1,895,443	(16,639,053)	-
<b>Total liabilities</b>	<b>343,857</b>	<b>8,388,044</b>	<b>2,702,559</b>	<b>2,326,398</b>	<b>2,973,786</b>	<b>1,203,869</b>	<b>2,568,142</b>	<b>(16,639,053)</b>	<b>3,867,602</b>
Net Assets:									
Unrestricted	(107,758)	(2,548,580)	1,472,605	36,378	109,019	(69,811)	936,265	-	(171,882)
Temporarily restricted	671,236	-	-	-	-	-	-	-	671,236
<b>Total net assets</b>	<b>563,478</b>	<b>(2,548,580)</b>	<b>1,472,605</b>	<b>36,378</b>	<b>109,019</b>	<b>(69,811)</b>	<b>936,265</b>	<b>-</b>	<b>499,354</b>
<b>Total liabilities and net assets</b>	<b>\$ 907,335</b>	<b>\$ 5,839,464</b>	<b>\$ 4,175,164</b>	<b>\$ 2,362,776</b>	<b>\$ 3,082,805</b>	<b>\$ 1,134,058</b>	<b>\$ 3,504,407</b>	<b>\$ (16,639,053)</b>	<b>\$ 4,366,956</b>

See Independent Auditors' Report on Supplementary Information.

**FIRSTLINE SCHOOLS, INC.**  
**COMBINING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SCHEDULE III**

	Edible School Yard	FirstLine Network Activity	Arthur Ashe Charter School	Samuel J. Green Charter School	Phillis Wheatley Charter School	Joseph S. Clark Charter School	Langston Hughes Academy Charter School	Eliminations	Total
<b>REVENUES</b>									
Local sources:									
Minimum Foundation Program	\$ -	\$ -	\$ 4,001,380	\$ 2,630,663	\$ 4,248,756	\$ 1,183,500	\$ 4,167,646	\$ -	\$ 16,231,945
Administrative fee revenue	-	2,173,315	-	-	-	-	-	(2,173,315)	-
Management fee	-	76,743	-	-	-	-	-	-	76,743
Contributions-unrestricted	-	1,273,258	52,179	4,899	250,689	203,135	283	-	1,784,443
Contributions-temporarily restricted	1,735,522	-	-	-	-	-	-	-	1,735,522
Interest earnings	43	1,809	154	293	1,200	-	-	-	3,499
Fundraising activities	3,059	-	-	-	-	-	-	-	3,059
Other	2,496	19,391	78,528	73,732	93,270	51,017	124,649	-	443,083
Total local sources	1,741,120	3,544,516	4,132,241	2,709,587	4,593,915	1,437,652	4,292,578	(2,173,315)	20,278,294
State sources:									
Minimum Foundation Program	-	-	3,056,803	2,181,376	2,850,686	1,249,111	3,253,178	-	12,591,154
Grants	-	-	1,399	1,045	85,354	879	84,945	-	173,622
Total state sources	-	-	3,058,202	2,182,421	2,936,040	1,249,990	3,338,123	-	12,764,776
Federal grants	50,000	304,892	1,754,852	1,129,313	1,744,786	1,647,975	2,119,562	-	8,751,380
Total revenues	1,791,120	3,849,408	8,945,295	6,021,321	9,274,741	4,335,617	9,750,263	(2,173,315)	41,794,450
<b>EXPENSES</b>									
Program Services:									
Instruction programs	-	302,672	3,866,282	2,792,235	3,791,496	1,472,682	4,215,154	-	16,440,521
Support Services:									
Pupil support services	-	482,886	1,580,562	1,266,858	1,698,387	1,182,705	1,674,564	-	7,885,962
Instructional staff services	1,004,073	660,977	130,004	-	-	-	-	-	1,795,054
School administration	-	15,916	663,913	734,961	932,579	819,459	889,032	-	4,055,860
Business services	4,541	3,774,453	62,372	36,052	34,403	26,707	43,139	-	3,981,667
Operations and maintenance	4,502	339,027	491,486	334,511	842,835	358,554	670,795	-	3,041,710
Student transportation services	-	-	703,706	625,208	722,146	459,344	801,159	-	3,311,563
Central services	-	615,092	847,732	197,723	563,930	-	563,930	(2,173,315)	615,092
Food services operations	-	18,182	1,042,950	447,557	928,245	149,821	1,049,931	-	3,636,686
Fundraising	51,170	2,148	-	-	-	-	-	-	53,318
Depreciation	-	6,458	138,590	29,733	88,066	22,490	65,512	-	350,849
Total expenses	1,064,286	6,217,811	9,527,597	6,464,838	9,602,087	4,491,762	9,973,216	(2,173,315)	45,168,282
Changes in net assets	726,834	(2,368,403)	(582,302)	(443,517)	(327,346)	(156,145)	(222,953)	-	(3,373,832)
Net assets, beginning of year	(163,356)	(180,177)	2,054,907	479,895	436,365	86,334	1,159,218	-	3,873,186
Net assets, end of year	\$ 563,478	\$ (2,548,580)	\$ 1,472,605	\$ 36,378	\$ 109,019	\$ (69,811)	\$ 936,265	\$ -	\$ 499,354

See Independent Auditors' Report on Supplementary Information.

**FIRSTLINE SCHOOLS, INC.**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Edible School Yard	FirstLine Network Activity	Arthur Ashe Charter School	Samuel J. Green Charter School	Phillis Wheatley Charter School	Joseph S. Clark Charter School	Langston Hughes Academy Charter School	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Changes in net assets	\$ 726,834	\$ (2,368,403)	\$ (582,302)	\$ (443,517)	\$ (327,346)	\$ (156,145)	\$ (222,953)	\$ (3,373,832)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:								
Depreciation expense	-	6,458	138,590	29,733	88,066	22,490	65,512	350,849
Non cash revenue item related to interest free loan		(59,260)						(59,260)
Changes in assets and liabilities:								
(Increase) decrease in prepaid expense	(369)	55,250	28,999	34,915	50,847	3,441	28,324	201,407
(Increase) decrease in grants receivable	(600,000)	145,380	(30,874)	(6,598)	99,662	6,539	133,303	(252,588)
(Increase) decrease in other receivables	36,004	72,324	350,397	3,757	142,800	(1,812)	(18,333)	585,137
Increase in due from other programs	(300,344)	(3,792,873)	(1,822,548)	(1,617,849)	(2,339,888)	(806,707)	(1,945,884)	(12,626,093)
Decrease in other assets	-	4,854	-	24,060	9,644	-	15,139	53,697
Increase in accounts payable	-	300,897	159,422	180,105	138,886	91,851	258,594	1,129,755
Decrease in accrued liabilities	(3,792)	(109,493)	(38,673)	(68,514)	(75,178)	(87,092)	(95,658)	(478,400)
(Decrease) increase in funds held on behalf of others	-	(51,298)	37,366	745	34,094	-	26,368	47,275
Increase in due to other programs	131,807	3,629,926	1,966,984	1,886,572	2,264,954	926,437	1,819,413	12,626,093
Net cash provided by (used in) operating activities	<u>(9,860)</u>	<u>(2,166,238)</u>	<u>207,361</u>	<u>23,409</u>	<u>86,541</u>	<u>(998)</u>	<u>63,825</u>	<u>(1,795,960)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Purchases of property and equipment	-	(28,981)	(171,755)	(33,902)	(58,617)	(1,747)	(34,820)	(329,822)
Net cash used in investing activities	<u>-</u>	<u>(28,981)</u>	<u>(171,755)</u>	<u>(33,902)</u>	<u>(58,617)</u>	<u>(1,747)</u>	<u>(34,820)</u>	<u>(329,822)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>								
Proceeds from loan payable	-	800,000	-	-	-	-	-	800,000
Net cash provided by investing activities	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,000</u>
Increase (decrease) in cash and cash equivalents	(9,860)	(1,395,219)	35,606	(10,493)	27,924	(2,745)	29,005	(1,325,782)
Cash and cash equivalents, beginning of year	14,305	2,183,125	57,783	27,526	15,320	12,560	100,326	2,410,945
Cash and cash equivalents, end of year	<u>\$ 4,445</u>	<u>\$ 787,906</u>	<u>\$ 93,389</u>	<u>\$ 17,033</u>	<u>\$ 43,244</u>	<u>\$ 9,815</u>	<u>\$ 129,331</u>	<u>\$ 1,085,163</u>

See Independent Auditors' Report on Supplementary Information.

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO THE CHIEF EXECUTIVE OFFICER  
FOR THE YEAR ENDED JUNE 30, 2017

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**SCHEDULE V**

**Chief Executive Officer Name:** Mr. Jay Altman

<u>Purpose</u>	<u>Amount</u>
Salary	\$156,100
Benefits – insurance	6,765
Benefits – retirement	9,366
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	918
Travel	1,418
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
License fees	-0-
Unvouchered expenses	-0-
Special meals	-0-

See Independent Auditors' Report on Supplementary Information.



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

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

To the Board of Directors of  
**FirstLine Schools, Inc.**

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 **FirstLine Schools, Inc. (FirstLine)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 April 30, 2018.

**Internal Control Over Financial Reporting**

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

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

**Internal Control Over Financial Reporting, Continued**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 to 2017-005 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **FirstLine'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*.

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

**Response to Findings**

**FirstLine's** response to the findings identified in our audit is described in a separate letter identified as the audit's corrective action plan, dated April 30, 2018.

**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 **FirstLine's** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **FirstLine's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

April 30, 2018

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

To the Board of Directors of  
**FirstLine Schools, Inc.**  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of **FirstLine Schools, Inc. (FirstLine)** with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **FirstLine's** major federal programs for the year ended June 30, 2017. **FirstLine's** major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of **FirstLine'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 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 **FirstLine'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 **FirstLine's** compliance.

**Opinion on Each Major Federal Program**

In our opinion, **FirstLine** 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.

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

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(CONTINUED)

**Report on Internal Control Over Compliance**

Management of **FirstLine** 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 **FirstLine'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 **FirstLine'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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)

**Report on Internal Control Over Compliance, Continued**

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.

**Purpose of this Report**

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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

April 30, 2018

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

- A. Type of report issued on the financial statements: **Unmodified.**
- B. Did the audit disclose any material weaknesses in internal control over financial reporting? **No.**
- C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **Yes.**
- D. Did the audit disclose any non-compliance which is material to the financial statements? **No.**
- E. Did the audit disclose any material weaknesses in internal control over major federal programs? **No.**
- F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **None Reported.**
- G. Type of report issued on compliance for major programs: **Unmodified.**
- H. Did the audit disclose any audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? **No.**
- I. Was a management letter issued? **No.**

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

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**SECTION I - SUMMARY OF AUDITORS' RESULTS, CONTINUED**

J. Major programs:

U.S. Department of Education:

School Improvement Grants - CFDA No. 84.377

U. S. Department of Agriculture:

Child and Adult Care Food Program - CFDA No. 10.558

U. S. Department of Health and Human

Services:

Temporary Assistance for Needy Families - CFDA No. 93.558

K. Dollar threshold used to distinguish between Type A and Type B programs:  
\$750,000.

L. Auditee qualified as a low-risk auditee: Yes.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**Section II - FINANCIAL STATEMENT FINDINGS**

**Audit Finding Reference Number**

**2017-001 Financial Close-Out and Reporting Process/Submission of Audit Report**

**Finding Classification**

Significant deficiency

**Finding Type**

Internal controls

**Finding Title**

Financial close-out and reporting process/submission of audit report

**Resolution (Resolved/Not Resolved/Partially Resolved)**

Not resolved

**Number of Years Finding Reported**

One (1)-2017

**Financial Impact of Finding**

Less than \$150,000

**Resolution is With or Without Cause**

With cause

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-001 Financial Close-Out and Reporting Process/Submission of Audit Report, Continued**

**Criteria**

Management of **FirstLine** is responsible for designing, implementing and maintaining proper and relevant control processes to ensure accuracy and completeness in financial reporting, preparation and fair presentations of disclosures.

LSA-RS 24:513 (A)(5)(I) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request of time for submission.

**Condition**

We noted during our audit that **FirstLine's** 2017 fiscal year-end financial close-out and reporting process was not timely completed until March 2018. From the period of February 2017 through November 2017, **FirstLine's** accounting department was operating without a Chief Financial Officer (CFO) to provide the accounting department with oversight and management for financial reporting, financial planning, record-keeping and financial risks. Therefore, **FirstLine's** June 30, 2017 financial statements were prepared and finalized nearly nine (9) months after the fiscal year-end. In December 2017, a new CFO was hired.

In addition, the June 30, 2017 audited financial statements were not submitted to the Legislative Auditor by the statutory due date of December 31, 2017.

**Cause**

This condition was caused by 1) sudden turnover of key financial personnel during the period of the financial close-out and reporting process, 2) the lack of a transitional period for the new accounting personnel to familiarize themselves with **FirstLine's** financial operations, and 3) needed updated written financial close-out and reporting policies and procedures.

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-001 Financial Close-Out and Reporting Process/Submission of Audit Report,  
Continued**

**Effect**

Financial information was not timely and accurately captured for the preparation of the June 30, 2017 financial statements and communicated to management and the Board of Directors for their use. Also, failure to timely submit the required audit report to the Legislative Auditor after the six (6) months' timeframe for any reason other than for a natural disaster is a violation of the State audit completion and submission law, and therefore subject to penalty.

**Recommendation**

We recommend that management establish a well-defined financial close-out and reporting process. The process and its key attributes (e.g. overall timing, format and frequency of analyses) should be formally documented, approved and reviewed on a regular basis.

---

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-002    Documented Reviews and Approvals**

**Finding Classification**

Significant deficiency

**Finding Type**

Internal controls

**Finding Title**

Documented reviews and approvals

**Resolution (Resolved/Not Resolved/Partially Resolved)**

Not resolved

**Number of Years Finding Reported**

One (1)-2017

**Financial Impact of Finding**

Less than \$150,000

**Resolution is With or Without Cause**

With cause

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-002 Documented Reviews and Approvals, Continued**

**Criteria**

Management of **FirstLine** is responsible for maintaining a system of recordkeeping that will ensure that all documentation is complete, accurate and properly retained for the required time period.

**Condition**

We noted during our audit that supervisory reviews and approvals were not documented for the following activities:

- employee time review process;
- bank statement review process;
- bank reconciliation review process; and
- credit card charges of authorized cardholders review process.

The noted deficiencies were not significant enough to warrant any proposed audit adjustments.

**Cause**

**FirstLine** lacks written policies and procedures regarding documentation of certain review and approval processes.

**Effect**

Possible material misstatements or errors due to fraud may occur intentionally or unintentionally without timely detections.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-002 Documented Reviews and Approvals, Continued**

**Recommendation**

We recommend that **FirstLine** establish internal controls that require documented supervisory reviews and approvals of employees' time reporting, bank reconciliations, bank statements prior to bank reconciliations and credit card statements and related supporting documentation of credit card charges on an ongoing basis.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-003 Requisition and/or Purchase Order System**

**Finding Classification**

Significant deficiency

**Finding Type**

Accounting records documentation

**Finding Title**

Requisition and/or purchase order system

**Resolution (Resolved/Not Resolved/Partially Resolved)**

Not resolved

**Number of Years Finding Reported**

One (1)-2017

**Financial Impact of Finding**

Less than \$150,000

**Resolution is With or Without Cause**

With cause

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-003 Requisition and/or Purchase Order System, Continued**

**Criteria**

Appropriate records should be in place to ensure that all payments disbursed are properly authorized, approved, processed and related supports are properly recorded and kept according to the established policies and procedures.

**Condition**

We noted twelve (12) of twenty-five (25) tested payments for purchases were processed without 1) an approved requisition and/or purchase order, 2) a receiving report showing receipt of goods purchased, or electronic equivalent; and 3) an approved invoice.

**Cause**

**FirstLine** failed to follow established policies and procedures.

**Effect**

Potential fraudulent activities could occur and not be detected on a timely basis.

**Recommendation**

We recommend that **FirstLine** revisit its current requisition and/or purchase order system to ensure all required policies and procedures are strictly followed as established.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-004     Unrestricted Net Asset Deficit – Network Activity**

**Finding Classification**

Significant deficiency

**Finding Type**

Other

**Finding Title**

Unrestricted Net Asset Deficit – Network Activity

**Resolution (Resolved/Not Resolved/Partially Resolved)**

Not resolved

**Number of Years Finding Reported**

One (1)-2017

**Financial Impact of Finding**

Greater than \$150,000

**Resolution is With or Without Cause**

With cause

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-004 Unrestricted Net Asset Deficit – Network Activity, Continued**

**Criteria**

Special reporting is required by the State of Louisiana for a quasi-public organization reporting an unrestricted net asset deficit that is greater than accumulated depreciation plus 5 percent of reported revenue to address the deficit.

**Condition**

As of June 30, 2017, **Firstline's** Network Activity program reported a significant unrestricted net asset deficit of \$2,548,580.

**Cause**

In 2017, the unrestricted Network Activity program absorbed a larger portion of the other programs' deficits by reducing the administrative fee charged to the other programs for the current year. The separation of the Edible School Yard program from the unrestricted Network Activity program is another contributing factor. Subsequent to year end and moving forward, Edible School Yard program will be combined with the unrestricted **FirstLine's** Network Activity program, thereby reducing the negative deficit. Lastly, the loss of key financial personnel in 2017 created a void in program budget monitoring and control, which further impacted the net asset deficit.

**Effect**

Continued deficit in net assets could result in the ability of **Firstline** to continue as a viable entity.

**Recommendation**

Although the combined unrestricted net assets of **Firstline** is not in a deficit position and no special reporting is required by the State of Louisiana for significant net asset deficits, we recommend that **Firstline** develop a written plan to eliminate the significant net asset deficit of the Network Activity program within the next five (5) years to improve the combined financial position of **Firstline**.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-005 Credit Card Charges**

**Finding Classification**

Significant deficiency

**Finding Type**

Credit card usage/travel

**Finding Title**

Credit card charges

**Resolution (Resolved/Not Resolved/Partially Resolved)**

Not resolved

**Number of Years Finding Reported**

2017

**Financial Impact of Finding**

Greater than \$150,000

**Resolution is With or Without Cause**

With cause

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2017-005 Credit Card Charges, Continued**

**Criteria**

Records should be maintained for all charges in a manner that permits the verification of balances and support with amounts reported in accordance with the established policies and procedures.

**Condition**

Based on our tests of credit card charges, we noted the following:

- one hundred forty-three (143) of the eight hundred forty-six (846) charges tested were not supported by an itemized receipt;
- one hundred sixty-three (163) of the eight hundred forty-six (846) charges tested did not have documentation of the business purpose; and
- two hundred fifty-three (253) of the eight hundred forty-six (846) charges tested did not have other documentation required by **FirstLine's** policies (i.e., purchase order, written pre-authorization).

**Cause**

**FirstLine** did not adhere to credit card policies and procedures.

**Effect**

Unauthorized/nonbusiness credit card charges may occur with weak internal controls over credit card charges without timely detections.

**Recommendation**

We recommend that **FirstLine** intensify efforts to ensure that credit card charges are always supported with source documentation (i.e., invoice or itemized receipt) and that each credit card charge is documented with the business purpose.

**FIRSTLINE SCHOOLS, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**SECTION I - INTERNAL CONTROL AND COMPLIANCE**  
**MATERIAL TO THE FINANCIAL STATEMENTS**

No matters reported.

**SECTION II - INTERNAL CONTROL AND COMPLIANCE**  
**MATERIAL TO FEDERAL AWARDS**

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No matters reported.

**SECTION III - MANAGEMENT LETTER**

No matters reported.



April 30, 2018  
Bruno & Tervalon LLP, CPA's  
4298 Elysian Fields Ave  
New Orleans, LA 70122

Dear Sirs,

The following is a corrective action plan addressing each finding included in the Firstline School's, Inc. Financial and Compliance and Independent Auditors report for the fiscal year ended June 30, 2017.

**Corrective Action Plan  
In Response to Findings Relating to the Financial Statements  
Year Ended June 30, 2017**

**Section II- Financial Statement Findings**

**Finding 17-001 Financial Close and Reporting Process/Submission of Audit Report**

**Agency's Response:**

Management, along with the Audit and Finance Committees, will review and appropriately revise the current financial reporting procedures to ensure timely completion of audit engagements. Firstline Schools (FLS) will note that there were extenuating circumstances that delayed the completion of the report, including loss of key personnel with the vacancies of the Director of Finance and Grants Manager of the agency. These vacancies resulted in additional time scheduled for the preparation of audit work and getting the report completed. Management has since hired essential staff and taken corrective action by implementing procedures to ensure accuracy and reliability of financial statements through the monthly close and reconciliation process. FLS will create closing and audit timelines that will assist with the timely completion of future audit reports.

**Finding 17-002 Documented Reviews and Approvals**

**Agency's Response:**

FLS will ensure the supervisory review and approval of time and attendance records, bank statements and bank reconciliations as well as credit card statement review. Management is currently reviewing all documents, but will correct the process by which these approvals are documented. Management and the Board of Directors will implement internal control policies and procedures to address the review and approval of these activities.



**Finding 2017-003 Requisition and/or Purchase Order System**

**Agency's Response:**

FLS will ensure that all purchases are approved prior to processing requisitions and ensure that those purchases are properly received in the purchasing system or with a valid signature acknowledging receipt. Currently, all purchases are approved; however management will ensure that the purchase order system is used in all applicable instances.

**Finding 2017-004- Unrestricted Net Asset Deficit- Network Activity**

**Agency's Response**

Management has expanded capacity in the accounting and finance department to ensure effective fiscal oversight, resulting in enhanced budget control measures and timely financial reporting to Management and the Board of Directors. FLS has also modified its budget process to include more comprehensive and conservative budget projections to align with shifts in state and local funding and implementation of cost control measures to reduce overall spending. Staff will work with the Board of Directors to implement an appropriate financial sustainability plan that will result in the rebuilding of net assets across the Network activity program and the improvement of the overall financial position of FirstLine Schools.

**Finding 2017-005 Requisition Credit Card Charges**

**Agency's Response:**

Credit Card purchases are reviewed for business purpose and backup documentation during the monthly reconciliation process. Management and the Board of Directors will revisit the current credit card policy and procedure, make necessary changes needed to tighten internal controls in this area and ensure full implementation of the revised policy.

If you have any questions concerning this response, please contact Gizelle Johnson-Banks, Chief Financial Officer at (504) 267-9038.

Sincerely,

Jay Altman  
CEO

FIRSTLINE SCHOOLS, INC.  
INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2017

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Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
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Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

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

---

To the Board of Directors  
**FirstLine Schools, Inc.**

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of **FirstLine Schools, Inc. (FirstLine)** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). Management of **FirstLine** is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed in accordance with 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 the report. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 2 to 6 either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of **FirstLine**, the Louisiana Department of Education, the Louisiana Recovery School District, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

April 30, 2018

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

*General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources (SCHEDULE 1)*

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following reported on the schedule:
  - Total General Fund Instructional Expenditures,
  - Total General Fund Equipment Expenditures,
  - Total Local Taxation Revenue,
  - Total Local Earnings on Investment in Real Property,
  - Total State Revenue in Lieu of Taxes,
  - Nonpublic Textbook Revenue, and
  - Nonpublic Transportation Revenue.

**FirstLine** did not provide us with supporting documentation for two (2) of the twenty-five (25) expenditures tested. Therefore, we were not able to determine if the expenditures were properly classified correctly and reported for the proper amounts on the schedule.

**Management's Response**

**FirstLine's** response to the above finding is described in a separate letter identified as the BESE Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Education Levels of Public School Staff (SCHEDULE 2)*

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (SCHEDULE 4) to the combined total number of full-time classroom teachers per this schedule and to FirstLine's supporting payroll records as of October 1, 2016.

No differences noted.

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total of principals and assistant principals per this schedule.

No differences noted.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2016 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

*Number and Type of Public Schools (SCHEDULE 3)*

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

No differences noted.

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (SCHEDULE 4)*

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2016 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

We noted that four (4) of the twenty-five (25) full-time teachers tested the experience was improperly classified on the schedule.

**Management's Response**

FirstLine's response to the above finding is described in a separate letter identified as the BESE Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

*Public School Staff Data: Average Salaries (SCHEDULE 5)*

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

No differences noted.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

No differences noted.

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*Class Size Characteristics (SCHEDULE 6)*

9. We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a random sample of 10 classes to the October 1, 2016 roll books for those classes and determined if the class was properly classified on the schedule.

**FirstLine** did not provide us with roll books for three (3) of the ten (10) tested classes. Therefore, we could not trace these classes to the October 1, 2016 roll books and also we could not determine if the classes were properly classified on the schedule.

**Management's Response**

**FirstLine's** response to the above finding is described in a separate letter identified as the BESE Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

*Louisiana Educational Assessment Program (LEAP) (SCHEDULE 7)*

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **FirstLine**.

No differences noted.

*Graduation Exit Exam (GEE) (SCHEDULE 8)*

11. This schedule is not applicable because the Graduate Exit Exam is no longer administered.

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

*iLEAP Tests (SCHEDULE 9)*

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **FirstLine**.

No differences noted.

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -  
PERFORMANCE AND STATISTICAL DATA)

---

**SCHEDULE 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum, Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**SCHEDULE 2 - Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph.D. or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**SCHEDULE 3 - Number and Type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**SCHEDULE 4 - Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**FIRSTLINE SCHOOLS, INC.**  
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -  
PERFORMANCE AND STATISTICAL DATA), CONTINUED

---

**SCHEDULE 5 - Public School Staff Data: Average Salaries**

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**SCHEDULE 6 - Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20; 21-26, 27-33, and 34+students. This data is currently reported to the Legislature in the Annual School Report (ASR).

**SCHEDULE 7 - Louisiana Educational Assessment Program (LEAP)**

This schedule represents student performance testing data and includes summary scores by school for grades 3, 4, 5, 6, 7 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**SCHEDULE 8 - The Graduation Exit Exam (GEE)**

This schedule is not applicable because the Graduate Exit Exam is no longer administered.

**SCHEDULE 9 - iLEAP Tests**

This schedule represents student performance testing data and includes school summary scores for grades 3, 4, 5, 6, 7 and 8 in each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

**General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2017**

**General Fund Instructional and Equipment Expenditures**

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$	11,067,794	
Other Instructional Staff Activities		474,799	
Employee Benefits		2,281,644	
Purchased Professional and Technical Services		1,670,987	
Instructional Materials and Supplies		471,718	
Instructional Equipment		473,579	
Total Teacher and Student Interaction Activities	\$		16,440,521

Other Instructional Activities

Pupil Support Activities		7,885,962	
Less: Equipment for Pupil Support Activities		-	
Net Pupil Support Activities			7,885,962

Instructional Staff Services		1,795,054	
Less: Equipment for Instructional Staff Services		-	
Net Instructional Staff Services			1,795,054

School Administration		4,055,860	
Less: Equipment for School Administration		-	
Net School Administration			4,055,860

Total General Fund Instructional Expenditures \$ 30,177,397

Total General Fund Equipment Expenditures \$ -

**Certain Local Revenue Sources**

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$	-	
Renewable Ad Valorem Tax		-	
Debt Service Ad Valorem Tax		-	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-	
Sales and Use Taxes		-	
Total Local Taxation Revenue	\$		-

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property		-	
Earnings from Other Real Property		-	
Total Local Earnings on Investment in Real Property	\$		-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$	-	
Revenue Sharing - Other Taxes		-	
Revenue Sharing - Excess Portion		-	
Other Revenue in Lieu of Taxes		-	
Total State Revenue in Lieu of Taxes	\$		-

Nonpublic Textbook Revenue \$ -

Nonpublic Transportation Revenue \$ -

See accompanying independent accountants' report on applying agreed-upon procedures.

Education Levels of Public School Staff  
As of October 1, 2016

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0%	0	0%	0	0%	0	0%
Bachelor's Degree	79	77%	76	82%	2	33%	6	55%
Master's Degree	23	22%	14	15%	4	67%	5	45%
Master's Degree +30	1	1%	2	2%	0	0%	0	0%
Specialist in Education	0	0%	0	0%	0	0%	0	0%
Ph.D. or Ed.D.	0	0%	1	1%	0	0%	0	0%
Total	103	100%	93	100%	6	100%	11	100%

Note: Due to rounding, certain percentage totals may not equal 100%.

See accompanying independent accountants' report on applying agreed-upon procedures.

Number and Type of Public Schools  
For the Year Ended June 30, 2017

Type	Number
Elementary:	4
Middle/Jr. High	
Secondary	1
Combination	
Total	5

See accompanying independent accountants' report on applying agreed-upon procedures.

Experience of Public Principals and Full-time Classroom Teachers  
As of October 1, 2016

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ yrs.	Total
Assistant Principals	0	0	8	1	0	2	0	11
Principals	0	0	3	2	1	0	0	6
Classroom Teachers	65	40	70	13	3	3	2	196
<b>Total</b>	65	40	81	16	4	5	2	213

See accompanying independent accountants' report on applying agreed-upon procedures.

**Public School Staff Data: Average Salaries  
For the Year Ended June 30, 2017**

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Excluding Extra Compensation	\$ 47,228	\$ 47,228
Average Classroom Teachers' Salary Including Extra Compensation	\$ 48,900	\$ 48,900
Number of Teachers' Full-time Equivalents (FTEs) used in Computation of Average Salaries	191.3	191.3

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

See accompanying independent accountants' report on applying agreed-upon procedures.

**Class Size Characteristics**  
**As of October 1, 2016**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	12%	82	22%	147	60%	412	0%	3
Elementary Activity Classes	1%	6	2%	15	2%	17	0%	0
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High	81%	74	13%	12	0%	0	1%	1
High Activity Classes	3%	3	0%	0	1%	1	0%	0
Combination								
Combination Activity Classes								

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See accompanying independent accountants' report on applying agreed-upon procedures.

Louisiana Educational Assessment Program (LEAP)  
For the Year Ended June 30, 2017

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 3 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	0%	0%	2%	2%	3%
Mastery	26%	23%	23%	28%	31%	29%
Basic	27%	25%	30%	29%	38%	22%
Approaching Basic	25%	29%	28%	23%	19%	26%
Unsatisfactory	22%	23%	18%	17%	10%	19%
Total	101%	100%	99%	99%	100%	99%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 4 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3%	1%	0%	1%	1%	0%
Mastery	35%	27%	25%	43%	25%	16%
Basic	36%	35%	41%	32%	34%	32%
Approaching Basic	18%	27%	26%	17%	30%	32%
Unsatisfactory	8%	10%	8%	7%	9%	20%
Total	100%	100%	100%	100%	99%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 5 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	1%	1%	2%	1%	0%
Mastery	25%	23%	19%	19%	16%	12%
Basic	42%	36%	33%	35%	40%	26%
Approaching Basic	23%	27%	30%	29%	32%	44%
Unsatisfactory	10%	13%	18%	15%	12%	18%
Total	101%	100%	101%	100%	101%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 6 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	2%	1%	0%	2%	1%
Mastery	20%	23%	29%	19%	19%	17%
Basic	32%	39%	44%	34%	28%	34%
Approaching Basic	36%	24%	14%	34%	34%	39%
Unsatisfactory	11%	11%	12%	14%	17%	10%
Total	99%	99%	100%	101%	100%	101%

Note: Testing data for English and Mathematics in 2015 reflects summary scores for the PARCC test, which replaced the LEAP in those categories.

See accompanying independent accountants' report on applying agreed-upon procedures.

Louisiana Educational Assessment Program (LEAP)  
For the Year Ended June 30, 2017

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 7 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	4%	2%	2%	0%	1%	1%
Mastery	26%	26%	22%	22%	24%	20%
Basic	29%	30%	42%	38%	37%	42%
Approaching Basic	25%	27%	23%	30%	30%	27%
Unsatisfactory	16%	14%	11%	9%	8%	10%
Total	100%	99%	100%	99%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 8 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	4%	4%	3%	2%	2%	3%
Mastery	33%	42%	33%	30%	28%	24%
Basic	32%	31%	35%	23%	28%	22%
Approaching Basic	15%	14%	20%	25%	28%	30%
Unsatisfactory	15%	8%	9%	20%	15%	21%
Total	99%	99%	100%	100%	101%	100%

Note: Testing data for English and Mathematics in 2015 reflects summary scores for the PARCC test, which replaced the LEAP in those categories.

See accompanying independent accountants' report on applying agreed-upon procedures.

The Graduate Exit Exam for the 21st Century  
For the Year Ended June 30, 2017

The Graduation Exit Examination is no longer administered. Therefore, this schedule is as applicable.

See accompanying independent accountants' report on applying agreed-upon procedures.

Louisiana Educational Assessment Program (iLEAP)  
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 3 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	1%	0%	2%	N/A	0%
Mastery	9%	6%	6%	13%	N/A	4%
Basic	40%	40%	37%	26%	N/A	38%
Approaching Basic	34%	37%	39%	31%	N/A	30%
Unsatisfactory	16%	16%	17%	28%	N/A	27%
Total	100%	100%	99%	100%	N/A	99%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 4 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	0%	0%	0%	N/A	0%
Mastery	6%	6%	2%	8%	N/A	2%
Basic	43%	38%	46%	24%	N/A	41%
Approaching Basic	37%	46%	36%	39%	N/A	32%
Unsatisfactory	13%	10%	16%	29%	N/A	25%
Total	100%	100%	100%	100%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 5 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	0%	0%	1%	N/A	0%
Mastery	10%	6%	5%	11%	N/A	10%
Basic	37%	46%	33%	22%	N/A	38%
Approaching Basic	29%	32%	36%	30%	N/A	28%
Unsatisfactory	23%	17%	26%	37%	N/A	24%
Total	100%	101%	100%	101%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 6 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	1%	0%	1%	N/A	5%
Mastery	5%	8%	9%	8%	N/A	11%
Basic	41%	41%	39%	24%	N/A	45%
Approaching Basic	38%	32%	38%	35%	N/A	29%
Unsatisfactory	16%	19%	14%	32%	N/A	10%
Total	100%	101%	100%	100%	N/A	100%

Note 1: In 2015-2016, a Social Studies field test was administered in place of the operational Social Studies test.

Note 2: In 2015-2016, LEAP was administered for Science.

See accompanying independent accountants' report on applying agreed-upon procedures.

Louisiana Educational Assessment Program (iLEAP)  
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 7 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2%	0%	1%	4%	N/A	5%
Mastery	13%	15%	9%	13%	N/A	15%
Basic	38%	36%	42%	23%	N/A	42%
Approaching Basic	28%	27%	31%	25%	N/A	24%
Unsatisfactory	19%	21%	17%	36%	N/A	15%
Total	100%	99%	100%	101%	N/A	101%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 8 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	0%	0%	5%	N/A	0%
Mastery	7%	8%	7%	18%	N/A	8%
Basic	37%	37%	34%	31%	N/A	44%
Approaching Basic	33%	40%	31%	24%	N/A	28%
Unsatisfactory	22%	14%	28%	23%	N/A	19%
Total	100%	99%	100%	101%	N/A	99%

Note 1: In 2015-2016, a Social Studies field test was administered in place of the operational Social Studies test.

Note 2: In 2015-2016, LEAP was administered for Science.

See accompanying independent accountants' report on applying agreed-upon procedures.



April 30, 2018

Bruno & Tervalon, CPAs  
4298 Elysian Fields Ave  
New Orleans, La 70122

FirstLine Charter School Network  
Board of Elementary and Secondary Educations agreed-Upon Procedures Management's Response  
6/30/2017

**Experience of Public Principal, Assistant Principals and Full-time Classroom Teachers (SCHEDULE 4)**

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2016 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

We noted that four (4) of the twenty five (25) full-time teachers tested the experience was improperly classified on the schedule

**Management's Response**

Management has instituted a practice of asking the employee to state their years of experience and have added a dual review of newly hired employees resumes by the human resources staff to confirm the employee years of experience.

**Class Size Characteristics: (Schedule 6)**

9. We obtained a list of classes by school type and class size as reported on the schedule. We then traced a random sample of 10 classes to the October 1, 2016 roll books for those classes and determined if the class was properly classified on the schedule.

FIRSTLINE SCHOOLS – EDUCATION FOR LIFE  
P.O. Box 791729, New Orleans, LA 70179-1729 | (504) 267-9038 | [www.firstlineschools.org](http://www.firstlineschools.org)



FirstLine did not provide us with roll books for three (3) of the ten (10) tested classes. Therefore, we could not trace these classes to the October 1, 2016 roll books and also we could not determine if the classes were properly classified on the schedule.

Management's Response

Management now requests an image of the student information database (PowerSchool) as of October 1 each year the image is an exact copy of the classes reported to the Louisiana Department of Education as of that date.

Please let me know if you have any questions regarding the Management Responses above. I can be reached via email at [jaltman@firstlineschools.org](mailto:jaltman@firstlineschools.org) or 504-267-9038.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay Altman", written over a horizontal line.

Jay Altman  
Chief Executive Officer

**FIRSTLINE SCHOOLS, INC.**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2017**





Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akarji, CPA

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

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To the Board of Directors of **FirstLine Schools, Inc.**  
and the Louisiana Legislative Auditor:

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

This agreed-upon procedures engagement was performed 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 the report. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 2 to 19 either for the purpose for which this report has been requested or for any other purpose.

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained FirstLine's written policies and procedures to determine whether the policies and procedures address each of the following financial/business functions, as applicable:
  - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

*No exceptions were noted except that FirstLine's written budgeting policies and procedures do not address the process for amending the budget.*

Management's Response

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

- 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 were noted.*

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

*No exceptions were noted.*

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

*No exceptions were noted.*

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

- 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.

*We noted the contracting policy does not address (1) types of services requiring written contracts and (2) legal review.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

- g) Credit Cards, 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 were 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 were 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.

*Ethics requirements are not applicable to nonprofits.*

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

*Debt requirements are not applicable to nonprofits.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

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

2. We obtained and reviewed the Board/Finance Committee minutes for the fiscal period to determine whether:
- a) the 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.

*No exceptions were noted.*

- b) the Board minutes referenced or included monthly budget-to-actual comparisons on **FirstLine's** funds, and if the budget-to-actual comparisons showed that management was deficit spending during the fiscal period, 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.

*We noted that the Board minutes reviewed during the fiscal year did not include monthly budget-to-actual comparisons on FirstLine's funds.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

- c) 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 were noted.*

**Bank Reconciliations**

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

4. From the listing provided by management, we selected all seven (7) of FirstLine's bank accounts and obtained bank statements and reconciliations for all months in the fiscal period to determine whether:

- a) Bank reconciliations have been prepared;

*No exceptions were 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) have reviewed each bank reconciliation;

*We noted that all selected bank reconciliations did not include evidence that a member of management or a board member had reviewed the bank reconciliations.*

**Management's Response**

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

- 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.

*We noted that one (1) of the seven (7) selected bank reconciliations had reconciling items greater than six (6) months at the end of the fiscal period with no documentation reflecting that the items had been researched.*

**Management's Response**

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

**Cash Collections**

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

6. From the listing provided by management, we selected all of **FirstLine's** cash collection locations and:

- a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) to determine 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 were noted.*

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

*No exceptions were noted.*

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

- 1) Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement to determine whether the deposits were made within one day of collection.

*We noted that for the thirty-nine (39) deposits tested, two (2) of the deposits were made within one day of collection. However, we noted it is FirstLine's policy to make deposits within two (2) days. Majority of the funds collected were not deposited within their policy's guidelines, we noted the following time gaps between collection and deposit: Green Student Activity funds were collected by teachers between September 22, 2016 and June 28, 2017 and deposited on June 28, 2017; Langston Hughes funds were collected between April 28, 2017 and May 7, 2017 and deposited on May 18, 2017; Clark funds were collected on February 2, 2017 and deposited on February 9, 2017; Ashe funds were collected between August 8, 2016 and September 28, 2016 and deposited on October 5, 2016, and the Network funds were collected April 10, 2017 and April 18, 2017 and deposited on April 19, 2017.*

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)

Management's Response

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

- 2) Using sequentially numbered receipts, system reports, or other related collection documentation, verified that daily cash collections are completely supported by documentation.

*We noted that twenty-five (25) of thirty-nine (39) cash collections were not completely supported by documentation.*

Management's Response

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

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

*We noted that there is no written policy that specifically addresses how FirstLine determines the completeness of all collections by a person who is not responsible for collections.*

Management's Response

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Disbursements – General (excluding credit card purchases or payments)**

8. We obtained FirstLine's consolidated check register for the year ended June 30, 2017 and filtered for purchases only. We obtained management's representation that the consolidated check register population was complete.

*No exceptions were noted.*

9. Using the disbursement population from #8 above, we randomly selected 25 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction to determine whether:
- 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.

*We noted twelve (12) of the twenty-five (25) purchases tested were not initiated using a purchase requisition or purchase order that separates initiation from approval functions in the same manner as a requisition/purchase order system.*

**Management's Response**

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

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

*We noted twelve (12) of the twenty-five (25) disbursements tested were not accompanied by a purchase order. The remaining ten (10) purchases had purchase orders that were approved by someone other than the one who initiated the purchase.*

**Management's Response**

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

*We noted twelve (12) of the twenty-five (25) items tested were processed without an approved requisition or purchase order and twelve (12) of twenty-five (25) items were processed without a receiving report or packing slip. All purchases were supported by an approved invoice.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

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

*FirstLine does not have a written policy prohibiting the person responsible for processing payments from adding vendors to the purchasing/disbursement system.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

11. We reviewed FirstLine's documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*No exceptions were noted.*

12. We inquired of management and observed the supply of unused checks to determine whether unused checks are maintained in a locked location, with access restricted to those persons that do not have signatory authority.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

13. We inquired of the individual with a signature stamp whether his or her signature is maintained under his or her control or is used only with his or her knowledge and consent. We also inquired whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

*No exceptions were noted.*

**Credit Cards**

14. We obtained from management a listing of all active credit cards, including the card numbers and the names of the persons who maintained possession of the cards and we obtained management's representation that the listing is complete.

*No exceptions were noted.*

15. Using the listing prepared by management, we randomly selected two (2) of the six (6) cards that were used during the fiscal period and obtained the monthly statements. We selected the monthly statement with the largest dollar activity for each card to determine whether:

- a) 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.

*We noted there was no written indication that statements were reviewed and approved.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

16. Using the monthly statements selected under #15 above, we obtained supporting documentation for all transactions for each of the two cards selected.

a) We reviewed each transaction to determine whether the transaction is supported by:

1) An original itemized receipt (i.e., identifies precisely what was purchased)

*We noted one hundred forty-three (143) of the eight hundred forty-six (846) charges reviewed were not supported by an itemized receipt.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

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

*We noted one hundred sixty-three (163) of the eight hundred forty-six (846) charges reviewed did not have documentation of the business purpose.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

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

*We noted two hundred fifty-three (253) of the eight hundred forty-six (846) charges reviewed did not have other documentation required by FirstLine's policies (i.e., purchase order, written pre-authorization).*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)

- b) For each transaction, we reviewed the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) for compliance with **FirstLine'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).

*The exceptions noted in procedure step #16a(1) above were not in compliance with FirstLine's written purchasing policies. No exceptions were noted with regard to compliance with the Louisiana Public Bid Law.*

- c) For each transaction, we compared **FirstLine'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).

*The exceptions noted in procedure step #16a(2) above did not have documentation of the business purpose, therefore we were unable to determine if the purchases met the requirements of Article 7, Section 14 of the Louisiana Constitution.*

*Travel and Expense Reimbursement*

17. We obtained the consolidated check register for the year ended June 30, 2017 and filtered for travel reimbursements. We obtained management's representation that the consolidated check register population is complete.

*No exceptions were noted.*

18. We obtained **FirstLine's** written policies related to travel and expense reimbursements and compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) to determine whether there are any amounts that exceed GSA rates.

*FirstLine uses the per diem and mileage rates established by the State of Louisiana.*

19. Using the transactions from #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

INDEPENDENT ACCOUNTANTS' REPORT  
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(CONTINUED)

- a) We compared expense documentation to written policies to determine whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging).

*As noted above, FirstLine follows the policy of the State of Louisiana with respect to travel and expense reimbursements. However, we noted one (1) of the three (3) reimbursements tested, where the hotel charge exceeded the State per diem rate for lodging. The State lodging rate for Philadelphia, PA is \$134 per night and the actual reimbursement rate was \$249 per night.*

**Management's Response**

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

- b) We determined whether each expense is supported by:
- 1) An original itemized receipt that identifies precisely what was purchased.

*We noted one (1) of three (3) reimbursements was not supported by an original itemized receipt.*

**Management's Response**

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

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

*We noted in two (2) of three (3) reimbursements tested, there were no documentation of the business purpose.*

**Management's Response**

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

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

*We noted in two (2) of three (3) reimbursements tested, there were no pre-authorization forms, as required by FirstLine's written policy.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

- c) We compared FirstLine'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.

*No exceptions were noted.*

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

*No exceptions were noted.*

**Contracts**

20. We obtained a listing of all contracts in effect during the fiscal period and obtained the consolidated check register for the year ended June 30, 2017 and filtered for contract payments. We obtained management's representation that the consolidated check register population is complete.

*No exceptions were noted.*

21. Using the listing above, we selected the five contract vendors that were paid the most money during the fiscal period, including the transportation contract and excluding purchases on state contract and payments to the practitioner. We obtained the related contracts and paid invoices and:

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code to determine whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- 1) If yes, we obtained and compared supporting contract documentation to legal requirements to determine whether **FirstLine** complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*No exceptions were noted.*

- 2) If no, we obtained supporting contract documentation to determine whether **FirstLine** solicited quotes as a best practice.

*We noted that for one (1) of the five (5) contracts reviewed solicited quotes were not obtained as a best practice.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

c) We determined whether the contract was amended, and if so, we determined whether the original contract terms contemplated or provided for such an amendment.

*None of the contracts reviewed were amended; therefore, this procedure is not applicable.*

d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, and compared the invoice to the contract terms, to determine whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

- e) We obtained and reviewed contract documentation and board minutes to determine whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*We noted no evidence in the board minutes that five (5) of the five (5) contracts reviewed were approved by the Board, as required by FirstLine's policy for contracts greater than \$150,000.*

**Management's Response**

**FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.**

**Payroll and Personnel**

22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries. We randomly selected the five employees, obtained their personnel files, and:
- a) Reviewed compensation paid to each employee during the fiscal period to determine whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*No exceptions were noted.*

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

*No exceptions were noted.*

23. We obtained attendance and leave records and randomly selected one pay period in which leave was taken by at least one employee (January 26, 2017 to February 11, 2017). Within that pay period, we randomly selected 25 employees to determine whether:

- a) all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

*No exceptions were noted.*

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

*We noted that there was no written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.*

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)

Management's Response

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

- c) there is written documentation that FirstLine maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.

*No exceptions were noted.*

- 24. We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. We selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees. We reviewed the termination payments to determine whether they were made in strict accordance with policy and/or contract and approved by management.

*No exceptions were noted.*

- 25. We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period to determine 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.

*No exceptions were noted.*

Ethics

- 26. Using the five randomly selected employees from procedure #22 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management to determine whether FirstLine maintained documentation to demonstrate that required ethics training was completed. We also reviewed the employee files for the employees selected to determine whether there was a signed verification of having read the ethics policy included in the file.

*This procedure is not applicable.*

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)

27. We inquired of management whether any alleged ethics violations were reported to **FirstLine** during the fiscal period and, if applicable, reviewed documentation demonstrating that management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with **FirstLine's** ethics policy.

*This procedure is not applicable.*

Debt Service

28. If debt was issued during the fiscal period, we obtained supporting documentation from **FirstLine** to determine whether State Bond Commission approval was obtained.

*This procedure is not applicable.*

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

*This procedure is not applicable.*

30. If **FirstLine** had tax millages relating to debt service, we obtained supporting documentation to determine whether millage collections exceeded debt service payments by more than 10% during the fiscal period.

*This procedure is not applicable.*

Other

31. We inquired of management whether **FirstLine** had any misappropriations of public funds or assets. If so, we obtained and reviewed supporting documentation to determine whether **FirstLine** reported the misappropriation to the Louisiana Legislative Auditor and the District Attorney of Orleans Parish.

*No misappropriations of public funds or assets were identified during the period.*

32. We observed **FirstLine's** premises and website to determine whether **FirstLine** posted the notice required by R.S. 24:523.1.

*We noted the noticed was posted on FirstLine's premises but was not posted on their website.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Management's Response**

FirstLine's response to the finding identified above is described in a separate letter identified as the Statewide Agreed-Upon Procedures Management's Response for the year ended June 30, 2017.

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 were noted.*

\*\*\*\*\*

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions, respectively, on those control and compliance 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 control and compliance 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 Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

April 30, 2018



April 30, 2018

Bruno & Tervalon, CPAs  
4298 Elysian Fields Ave  
New Orleans, La 70122

FirstLine Charter School Network  
Statewide Agreed-Upon Procedures Management's Response  
6/30/2017

**Written Policies and Procedures**

1. We obtained the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions:

- *No exceptions were noted except that FirstLine's written budgeting policies and procedures do not address the process for amending the budget*

**Management's Response**

FirstLine Charter School Network (FLS) will update its policies to include a procedure for budget amendments requiring approval from the Board of Directors through its Finance Committee

- *We noted that the policy did not address (1) types of services requiring written contracts and (2) Legal review*

**Management's Response**

Management will update the policy to include types of services requiring written contracts. Firstline does not have a Legal -Department; however, all contracts are reviewed by the HR Director who holds a law degree and serves as in-house counsel. FLS will update its policies to reflect this process.

2. **Board (or Finance Committee, if Applicable)**

- *We noted that the Board minutes reviews during the fiscal year did not include monthly budget-to-actual comparisons on FirstLine's funds.*

**Management's Response**

Management has corrected this process and is now providing budget to actual to the Finance Committee at every meeting.



### 3. Bank Reconciliations

- *We noted that all selected bank reconciliations did not include evidence that a member of management or a board member had reviewed the bank reconciliations*

#### Managements Response

Bank Reconciliations are being reviewed, but not signed by the reviewer. Management has corrected this process. The approver is required to sign and date all bank reconciliations. Additionally, the Finance Committee will now review the bank reconciliations as part of each meeting.

- *We noted that one of the four selected bank reconciliations had reconciling items greater than 6 months at the end of the fiscal period with no documentation reflecting that the items had been researched.*

#### Managements Response

Management will ensure that all outstanding checks are researched and any that are approaching 6 months are reported to the State of Louisiana.

### 4. Cash Collections

- *We noted that for the thirty-nine(39) deposits tested, two (2) of the deposits were made within one day of collection. However, we noted it is FirstLine's policy to make deposits within two (2) days. The majority of the funds collected were not deposited within their policy's guidelines.*

#### Management's Response

Management is working to correct this process. FLS has started using electronic deposits with the use of a check scanner for all checks and currently revising procedures around cash collections to streamline the current process.

*We noted that 25 of the thirty-nine(39) deposits were not completely supported by documentation*

#### Management's Response

Management has implemented procedures for preparing deposits that include affixing copies of all pertinent information and documentation to the finance department's deposits files.

- *We noted that there is no written policy that specifically addresses how FirstLine determines the completeness of all collections by a person who is not responsible for collections*



### Management's Response

Management will update cash collections policy to address completeness of deposits

### 5. Disbursements

We obtained the entity's disbursements for the fiscal period and randomly selected 25 disbursements and tested for the following items:

- 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.
- *We noted (12) of twenty-five (25) purchases were not initiated using a purchase requisition to purchase order that separates initiation from approval functions*

### Management's Response

Management will ensure that all purchases are initiated using a requisition or check request prior to processing any orders.

- b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- *We noted (12) of twenty-five (25) purchases did not had no indication of approval.*

### Management's Response

Management will ensure that all purchases will have proof the proper approval on file prior to proceeding with the purchase and that the person requesting is not the approver.

- c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent' and (3) an approved invoice.
- *We noted (12) of twenty-five (25) purchases were processed without approval and 12 of 25 were processed with a receiving report.*

### Management's Response

Management will ensure that all purchases are approved prior to processing the request and those purchases are properly received in the purchasing system or received with a valid signature acknowledging receipt.



### Credit Cards

6. We obtained from management a listing of all active credit card used during the fiscal period and obtained monthly statements with the largest dollar activity to determine if the statement and supporting documentation was reviewed and approved in writing by someone other than the authorized card holder.

- *We noted no written indication that statements are reviewed and approved*

### Management's Response

Credit Card statements are reviewed in accounting and are recorded accordingly. During this reconciliation process, all purchases are reviewed and all backup documentation for every purchase is placed with the credit statement for proof of purchase, approval and receipt.

- *We noted that one hundred forty-three 143 of the 846 charges were not supported by an itemized receipt*

### Management's Response

Management will ensure that all purchases are supported by an itemized receipt

- *We noted 163 of the 846 charges did not have documentation of the business purpose.*

### Management's Response

Purchases were reviewed and Management has determined that these purchases were for a business purpose. Management is revising its procedures to ensure that all purchases have proper documentation of the business purpose.

- *We noted 253 of the 846 charges reviewed did not have other documentation required by FirstLine's policies.*

### Management's Response

Management will ensure that pre-approval for all credit card usage is documented and includes reason for request and supervisor signature

### Travel and Expense Reimbursement

7. We obtained a listing of all travel and related expense reimbursements by three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursements and chose the largest travel expense for each person to review in detail.

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- a. *We noted one (1) of three(3) reimbursements tested, where the hotel charge exceeded the State per diem rate for lodging. The State lodging rate for Philadelphia, PA is \$134 per night and the actual reimbursement rate was \$249 per night.*

**Management's Response**

Management has determined that the hotel stay was at the specified conference hotel and that there was not a cheaper rate in the area that would allow the employee to attend the conference within reasonable commuting time frame.

- b. Reimbursement is supported by documentation.
- *We noted One (1) of three (3) lacked documentation to support expense reimbursement.*

**Management's Response**

Management currently requires documentation for all expense reimbursements. We considered the back-up submitted as sufficient for the reimbursement; however Management will now require staff to keep itemized receipts.

- *We noted in (2) two of three (3) reimbursements tested, there were no pre-authorization forms, as required by Firstline written policy.*

**Management's Response**

Management will ensure that pre-authorization forms are obtained and approved prior to any travel or reimbursements are processed in accordance with our policy.

**Contracts**

8. We obtained supporting contract documentation to determine whether FirstLine solicited quotes as a best practice
- *We noted that for (1) of the five (5) contracts reviewed, solicited quotes were not obtained as a best practice.*

**Management's Response**

Management will ensure that we will follow the best practices of soliciting 3 quotes where ever possible. If this is not possible, management will document such reasons.



c. We obtained and reviewed contract documentation and board minutes to determine whether there is documentation of board approval, if required by policy or law

- *We noted no evidence in the board minutes that five (5) of the five (5) contracts reviewed were approved by the Board, as required by FirstLine's policy for contracts greater than \$150,000.*

**Management's Response**

Management has implemented procedures where the board regularly reviews a list of all executed contracts and all contracts over \$150,000 are submitted to the board for prior approval.

**Payroll and Personnel**

9. We obtained attendance and leave records and randomly selected one pay period in which leave was taken by at least one employee within that pay period. We randomly selected 25 employees to determine whether

b) there is written documentation that supervisors approved, electronically or in writing the attendance and leave of the selected employees

- *We noted that there was no written documentation that supervisors approved electronically or in writing, the attendance and leave of the selected employees*

**Management's Response**

Management will implement a time and attendance system that will allow for electronic approval of attendance and leave.

**Other**

10. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

- *We noted the notice of misappropriation, fraud, waste, or abuse of public funds is not listed on the client's website.*

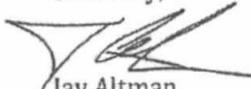
**Management's Response**

Management will post the required notice of misappropriation, fraud, waste or abuse of public funds on the website. The notice is currently posted on our physical premises.



Please let me know if you have any questions regarding the Management Responses above. I can be reached via email at [jaltman@firstlineschools.org](mailto:jaltman@firstlineschools.org) or 504-267-9038.

Sincerely,



Jay Altman  
CEO