

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

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**Audit of Financial Statements  
September 30, 2017**

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# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

I have audited the accompanying financial statements of @Southwest Louisiana Independence Center, Inc., (a non-profit organization) which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of @Southwest Louisiana Independence Center, Inc. as of September 30, 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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 27, 2018, on my consideration of @Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering @Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting and compliance.

## Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements of @Southwest Louisiana Independence Center, Inc. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
March 27, 2018

**SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Lake Charles, Louisiana**  
**Statement of Financial Position**  
**As of September 30, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	1,406,952
Grants receivable		711,592
Prepaid expenses		13,689
		13,689
Total Current Assets		2,132,233

**PROPERTY AND EQUIPMENT**

Furniture and equipment		499,737
Building and improvements		673,280
		1,173,017
Less accumulated depreciation		(404,658)
		768,359
Land		150,000
		150,000
Net Property and Equipment		918,359

**OTHER ASSETS**

Deposits		5,033
		5,033

**TOTAL ASSETS**

**\$ 3,055,625**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$	112,176
Accrued payroll and related expenses		199,746
Other accrued expenses		8,070
Current portion of notes payable		11,651
		11,651
Total Current Liabilities		331,643

**LONG TERM LIABILITIES**

Notes payable - net of current portion		277,698
		277,698

**TOTAL LIABILITIES**

**609,341**

**NET ASSETS**

Unrestricted		2,446,284
		2,446,284
Total Net Assets		2,446,284

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 3,055,625**

**SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Lake Charles, Louisiana**  
**Statement of Activities**  
**For The Year Ended September 30, 2017**

<b>SUPPORT</b>	
Medicaid waiver program	\$ 5,095,860
Federal grants	339,734
State grants	394,068
Special events and other	<u>229,078</u>
Total Support	<u>6,058,740</u>
 <b>EXPENSES</b>	
Program expenses	5,729,480
Supporting services:	
Management and general	<u>133,920</u>
Total Expenses	<u>5,863,400</u>
 <b>CHANGE IN NET ASSETS</b>	 195,340
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 <u>2,250,944</u>
 <b>NET ASSETS - END OF YEAR</b>	 <u><u>\$ 2,446,284</u></u>

See accompanying notes to the financial statements.

**SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Lake Charles, Louisiana**  
**Statement of Cash Flows**  
**For The Year Ended September 30, 2017**

<b>Cash Flows From Operating Activities</b>	
Change in net assets	\$ 195,340
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	50,927
(Increase) decrease in operating assets:	
Grants receivable	(785)
Prepaid expenses	(1,619)
Increase (decrease) in operating liabilities:	
Accounts payable	36,878
Accrued payroll and related expenses	(13,794)
Other accrued expenses	(17,962)
	<hr/>
Total Adjustments	53,645
	<hr/>
Net Cash Provided (Used) By Operating Activities	248,985
	<hr/>
<b>Cash Flows From Investing Activities</b>	
Purchase of property and equipment	(70,943)
	<hr/>
Net Cash Used By Investing Activities	(70,943)
	<hr/>
<b>Cash Flows From Financing Activities</b>	
Principal payments on bank loans	(11,163)
	<hr/>
Net Cash Provided (Used) by Financing Activities	(11,163)
	<hr/>
<b>Net Increase (Decrease) In Cash</b>	166,879
<b>Cash - Beginning of Year</b>	1,240,073
	<hr/>
<b>Cash - End of Year</b>	\$ 1,406,952
	<hr/> <hr/>
<b>Supplemental Disclosure:</b>	
Interest paid	\$ 12,091
	<hr/> <hr/>

See accompanying notes to the financial statements.

**SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Lake Charles, Louisiana**  
**Statement of Functional Expenses**  
**For The Year Ended September 30, 2017**

	<b>Program Services</b>	<b>Supporting Services, Management &amp; General</b>	<b>Total</b>
Advertising	\$ 10,434	\$ -	\$ 10,434
Audit expense	15,400	-	15,400
Bank service charges	5,618	-	5,618
Depreciation	-	50,927	50,927
Education and training	1,061	-	1,061
Insurance	141,192	-	141,192
Legal fees	4,084	-	4,084
Payroll taxes/fringe expense	517,160	-	517,160
Postage	5,883	-	5,883
Purchased services	196,862	-	196,862
Interpreting services	49,866	-	49,866
Rent	48,000	-	48,000
Repairs and maintenance	24,129	-	24,129
Salaries	4,507,842	-	4,507,842
Supplies	49,154	-	49,154
Telephone	27,532	-	27,532
Travel	48,072	-	48,072
Utilities	24,536	-	24,536
Consumer expenses	33,369	-	33,369
Office expenses	11,856	35,568	47,424
Interest	-	12,091	12,091
Miscellaneous	7,430	35,334	42,764
<b>Total Program Expenses</b>	<b>\$ 5,729,480</b>	<b>\$ 133,920</b>	<b>\$ 5,863,400</b>

See accompanying notes to the financial statements.

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

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

**Income Taxes**

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

**Basis of Accounting**

The accompanying financial statements of @Southwest Louisiana Independence Center, Inc. have been prepared on the accrual basis of accounting.

Grants, miscellaneous contributions of cash, and other assets are reported as unrestricted support unless donor stipulations are not removed during the fiscal year.

**Cash and Cash Equivalents**

The Center had bank deposits of \$1,405,569 at September 30, 2017 with a carrying value of \$1,406,952, which includes \$300 in petty cash.

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

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

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

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2017**

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

**Use of Estimates**

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

**Property and Equipment/Depreciation and Amortization**

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

Furniture and equipment are being depreciated over estimated useful lives of three to fifteen years. The building is being depreciated over an estimated useful life of thirty-five years. The straight-line method of depreciation is being utilized. Depreciation expense was \$50,927 for the year ended September 30, 2017.

**Compensated Absences**

The Center has a contingent liability in the amount of \$23,672 at September 30, 2017 for unused vacation. Sick leave is not vested, therefore no accrual is reflected in the financial statements.

**Advertising Costs**

Advertising costs are expensed as incurred and amounted to \$10,434 for the year ended September 30, 2017.

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2017**

**NOTE 2 - PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of September 30, 2017:

Property and Equipment, October 1, 2016	\$ 1,252,074
Additions for the Year Ended September 30, 2017	70,943
Disposals for the Year Ended September 30, 2017	<u>(-0-)</u>
Property and Equipment, September 30, 2017	<u>\$ 1,323,017</u>
Accumulated Depreciation, October 1, 2016	\$ 353,731
Depreciation for the Year Ended September 30, 2017	50,927
Less Depreciation on Disposed Assets for the Year Ended September 30, 2017	<u>(-0-)</u>
Accumulated Depreciation, September 30, 2017	<u>\$ 404,658</u>
Net Book Value, September 30, 2017	<u>\$ 918,359</u>

**NOTE 3 - GRANTS RECEIVABLE**

Grants receivable at September 30, 2017 consisted of reimbursements for expenses incurred in the following programs:

<u>Program</u>	<u>Amount</u>
Telecommunications Device Distribution	\$ 6,260
State Personal Care Attendant Contract	6,306
State Independent Living Contract	18,087
Elderly Disabled Adults	460,956
SLIC Interpreting	30,783
Children's Choice	14,568
Long Term Personal Care Services	82,992
Supportive Employment	12,577
LCD Interpreting	3,701
Supportive Services Provider	<u>75,362</u>
Total Receivable	<u>\$ 711,592</u>

**NOTE 4 - OPERATING LEASES**

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

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2017**

**NOTE 4 - OPERATING LEASES (CONTINUED)**

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

2018	\$ 40,000
2019	\$ 27,000

**NOTE 5 - CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. Management is not aware of any disallowed costs as of September 30, 2017.

**NOTE 6 - RISK MANAGEMENT**

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

**NOTE 7 - ECONOMIC DEPENDENCY**

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

**NOTE 8 - RETIREMENT PLAN**

The Center participates in a SIMPLE IRA retirement plan for the benefit of its employees. The plan allows employees who anticipate earning more than \$5,000 in the current year to participate and allows them to contribute a percentage of their pay or a flat dollar amount up to a maximum annual contribution of \$10,500. The plan requires employer-matching contributions on a dollar-for-dollar basis up to 3% of each employee's compensation. The employer may elect, upon advance notice to the employees, to make a maximum match of less than 3% but not less than 1% of employee's compensation; however, this election can only be made during two out of any consecutive five year periods. Employer matching contributions for the fiscal year ended September 30, 2017 was \$13,474.

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2017**

**NOTE 9 - LINE OF CREDIT**

The Center has a line of credit with an available limit of \$50,000. Interest accrues and is payable monthly at 4.7% on any outstanding balance. The line is secured by the Center's deposits held by the lender. The balance due on this line of credit was \$-0- as of September 30, 2017.

**NOTE 10 - FAIR VALUE OF INSTRUMENTS**

The Center has a number of financial instruments, none of which is held for trading purposes. The Center estimates that the fair value of all financial instruments at September 30, 2017 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Center using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

**NOTE 11 - NOTES PAYABLE**

Notes payable as of September 30, 2017 consisted of the following:

Bank note dated November 6, 2014, payable in 120 equal monthly installments of \$2,033.71, the final payment to be paid November 5, 2024, including interest at 4.49%, collateralized by real estate with a carrying value of \$816,024.	<u>\$ 289,349</u>
Total debt	289,349
Less current portion	<u>11,651</u>
Long-term debt	<u><u>\$ 277,698</u></u>

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2017**

**NOTE 11 – NOTES PAYABLE (CONTINUED)**

Maturities of debt are as follows:

<u>September 30:</u>	<u>Amount</u>
2018	\$ 11,651
2019	12,185
2020	12,743
2021	13,327
2022	13,938
Thereafter	<u>225,505</u>
Total	<u>\$ 289,349</u>

**NOTE 12 -SUBSEQUENT EVENT**

The Center evaluated its September 30, 2017 financial statements for subsequent events through the date the financial statements were available to be issued. The Center is not aware of any subsequent events which require recognition or disclosure in the financial statements.

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**Summary of Independent Auditors' Results**  
**September 30, 2017**

Financial Statements

Type of auditor's report issued			Unmodified
Internal control over financial reporting:			
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Significant deficiency identified not considered to be a material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported	
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of @Southwest Louisiana Independence Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated March 27, 2018

### **Internal Control over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
March 27, 2018

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.  
SCHEDULE OF COMPLIANCE AND INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**I INTERNAL CONTROL FINDINGS – GOVERNMENTAL AUDITING STANDARDS (ICG)**

**None**

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**I INTERNAL CONTROL FINDINGS – GOVERNMENTAL AUDITING STANDARDS (ICG)**

(ICG-2016-1) Lack of Segregation of Duties

Condition: There appears to be a lack of segregation of duties with respect to the accounting functions of the Center. We did note that management and the board of directors have taken steps to perform independent review of the items processed through the accounting system and strengthen its internal controls.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records could go undetected.

Recommendation: We recommend that the Center's management and board continue to perform independent review of the items processed through the accounting system in order to strengthen its internal controls.

Response: Management has considered this deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties. The Center's management and board of directors shall continue to perform independent review of items processed through the accounting system in order to strengthen its internal controls.

(ICG-2016-2) Financial Statement Reporting

Condition: The Center maintains its books and records on the modified cash basis of accounting. The Center relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures.

Criteria: Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Center's internal control structure and because of the limitations of the accounting staff, the design of the Center's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: Misstatements in financial statements could go undetected.

Recommendation: Management should have heightened awareness of all transactions being reported.

Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency. To the extent possible, management has implemented review procedures.

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**

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

**Paid from Public Funds**

**Year Ended September 30, 2017**

**Agency Head: Mitch Granger, Executive Director**

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

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## **AGREED-UPON PROCEDURES REPORT**

**@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**

### **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD OF OCTOBER 1, 2016 THROUGH SEPTEMBER 30, 2017**

To the Board of Directors of @Southwest Louisiana Independence Center, Inc. and the Louisiana Legislative Auditor:

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

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

The procedures and associated findings are as follows:

## Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving
  - d) **Receipts**, including receiving, recording, and preparing deposits
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
  - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
  - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
  - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: 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.

*Exceptions: The Organization's written policies and procedures did not address the process of adding vendors to the vendor list. The Organization does not have a specific policy for contracting.*

*Management's response: The written policies and procedures will be updated to address both items listed as "exceptions".*

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*No observations.*

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared;
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
  - 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.

*Exception: The bank reconciliations did not include evidence that a member of management with no involvement in transactions associated with the bank accounts has reviewed the bank reconciliations. Bank accounts with limited activity were not reconciled.*

*Management's Response: A Board member or member of management with no involvement in transactions associated with bank accounts will begin reviewing bank reconciliations. Client will begin reconciling bank accounts with limited activity.*

## Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
  - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
  - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
    - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

*Not Applicable*

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
  - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
  - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
  - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*Exceptions: The Organization uses check requests in lieu of purchase orders for non-recurring purchases. Two purchases reviewed did not have proper approval. Dual signatures were present on all checks. The Executive Director approves all purchases and may initiate purchases. The person responsible for processing payments can also add a vendor to the entity's purchasing/disbursement system.*

*Management's Response: Management will verify that all purchases have proper approval in the future. The Organization will adopt a formal policy for adding vendors to the system. The vendor list is reviewed every year by the Executive Director.*

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
    - a) For each transaction, report whether the transaction is supported by:
      - An original itemized receipt (i.e., identifies precisely what was purchased)
      - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
      - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
    - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
    - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Exceptions: Credit card activity was reviewed and approved by the cardholder. Compensating control exists whereby every check requires two signatures. Some credit card charges reviewed were not supported by a receipt. Transactions appear reasonable and per subsequent review with management appear to be for business purposes.*

*Management's Response: The Organization will begin utilizing an employee without a credit card to review and approve credit card statements. The Organization will make a greater effort to obtain all receipts prior to credit card payment.*

## Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
  - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
  - b) Report whether each expense is supported by:
    - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
    - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
    - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
  - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
  - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No observations.*

## Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
  - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
  - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
    - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
  - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
  - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
  - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*No observations.*

## Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

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- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
  - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
  - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*Exceptions: One employee in sample was paid less hours than shown on their time sheets. Hours will be added to a future payroll.*

*Management's Response: The Organization will make a greater effort to verify the proper number of hours are paid to employees.*

### Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*Not Applicable*

## Debt Service

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

### *Not Applicable*

## Other

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

*Exceptions: The Organization did not display the notice required by R.S. 24:523.1.*

*Management's Response: The Organization will display the notice required by R.S. 24:523.1.*

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

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

*Steven M. DeRouen & Associates*

March 27, 2018  
Lake Charles, Louisiana