

TOTAL COMMUNITY ACTION, INC.

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

December 31, 2017

TOTAL COMMUNITY ACTION, INC.

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A LIMITED LIABILITY COMPANY

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Total Community Action, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of Total Community Action, Inc. (a non-profit organization), which comprise the statement of the financial position as of December 31, 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 controls 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

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 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 to 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 Total Community Action, Inc. as of December 31, 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.

Report on Summarized Comparative Information

We have previously audited Total Community Action, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2018, on our consideration of Total Community Action, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Total Community Action, Inc.'s internal control over financial reporting and compliance.

Justin J. Scambler, CPA, LLC

New Orleans, Louisiana
May 25, 2018

TOTAL COMMUNITY ACTION, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2017

**SUMMARIZED
COMPARATIVE
INFORMATION
December 31, 2016**

ASSETS

| | | |
|---|----------------------|----------------------|
| Cash | \$ 1,342,078 | \$ 1,038,712 |
| Investment securities (Notes A5 and B) | 2,438,372 | 2,213,250 |
| Receivables | | |
| Grants (Notes A6 and C) | 585,899 | 703,767 |
| Other | <u>11,187</u> | <u>9,837</u> |
| | <u>597,086</u> | <u>713,604</u> |
| Property and equipment-at cost (Note A4 and D) | 6,569,805 | 6,887,691 |
| Economic interest – Economic Development Unit, Inc. (Note E) | <u>433,200</u> | <u>433,200</u> |
| Total assets | <u>\$ 11,380,541</u> | <u>\$ 11,286,457</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|----------------------|----------------------|
| Accounts payable and accrued liabilities | \$ 843,241 | \$ 781,470 |
| Pension contribution payable (Note F) | <u>204,730</u> | <u>201,022</u> |
| Total liabilities | <u>1,047,971</u> | <u>982,492</u> |
| Commitments (Note G) | - | - |
| Net assets | | |
| Unrestricted | < 35,411 > | < 25,032 > |
| Temporarily restricted (Note H) | <u>10,367,981</u> | <u>10,328,997</u> |
| Total net assets | <u>10,332,570</u> | <u>10,303,965</u> |
| Total liabilities and net assets | <u>\$ 11,380,541</u> | <u>\$ 11,286,457</u> |

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

TOTAL COMMUNITY ACTION, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> | <u>SUMMARIZED COMPARATIVE INFORMATION</u> For the year ended <u>December 31, 2016</u> |
|---------------------------------------|----------------------------|-----------------------------------|----------------------|---|
| REVENUES | | | | |
| Government grants | \$ - | \$ 16,520,401 | \$ 16,520,401 | \$ 17,731,535 |
| Donations | - | 100,000 | 100,000 | 478 |
| Investment income (Note B) | 17,373 | 336,720 | 354,093 | 72,542 |
| Other | 121,552 | 133,082 | 254,634 | 32,979 |
| Net assets released from restrictions | <u>17,051,219</u> | <u>< 17,051,219 ></u> | <u>-</u> | <u>-</u> |
| TOTAL REVENUES | <u>< 10,379 ></u> | <u>38,984</u> | <u>17,229,128</u> | <u>17,837,534</u> |
| EXPENSES | | | | |
| Salaries | 7,631,436 | - | 7,631,436 | 8,015,532 |
| Fringe benefits | 2,113,946 | - | 2,113,946 | 2,481,330 |
| Travel | 79,490 | - | 79,490 | 67,856 |
| Contractual | 1,533,718 | - | 1,533,718 | 1,558,380 |
| Supplies | 510,890 | - | 510,890 | 612,969 |
| Food costs | 490,249 | - | 490,249 | 564,703 |
| Subrecipient costs | 1,671,557 | - | 1,671,557 | 1,646,302 |
| Equipment expense | 840,441 | - | 840,441 | 535,043 |
| Insurance | 232,328 | - | 232,328 | 202,653 |
| Assistance to individuals | 209,933 | - | 209,933 | 69,543 |
| Telephone | 120,925 | - | 120,925 | 133,463 |
| Occupancy | 843,285 | - | 843,285 | 970,451 |
| Vehicle expense | 31,653 | - | 31,653 | 49,069 |
| Postage | 8,518 | - | 8,518 | 9,055 |
| Other costs | <u>882,154</u> | <u>-</u> | <u>882,154</u> | <u>844,230</u> |
| TOTAL EXPENSES | <u>17,200,523</u> | <u>-</u> | <u>17,200,523</u> | <u>17,760,579</u> |
| Increase <decrease> in net assets | < 10,379 > | 38,984 | 28,605 | 76,955 |
| Net assets, beginning of year | <u>< 25,032 ></u> | <u>10,328,997</u> | <u>10,303,965</u> | <u>10,227,010</u> |
| Net assets, end of year | <u>\$ < 35,411 ></u> | <u>\$ 10,367,981</u> | <u>\$ 10,332,570</u> | <u>\$ 10,303,965</u> |

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

TOTAL COMMUNITY ACTION, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

**SUMMARIZED
COMPARATIVE
INFORMATION
For the year
ended
December 31, 2016**

| | | |
|---|------------------------|---------------------|
| Increase <decrease> in cash and cash equivalents | | |
| Cash flows from operating activities: | | |
| Increase <decrease> in net assets | \$ 28,605 | \$ 76,955 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Unrealized <appreciation> depreciation of investments | < 235,601> | < 140,025> |
| Gain <loss> on sale of securities | 60,100 | < 133,209> |
| Depreciation expense | 347,542 | 330,645 |
| Changes in assets and liabilities: | | |
| <Increase > decrease in grants receivable | 117,868 | 160,814 |
| <Increase > decrease in other receivables | < 1,350> | 332 |
| <Increase > decrease in due from delegate agencies | - | 119,294 |
| Increase <decrease> in accounts payable and accrued liabilities | 61,771 | < 164,883> |
| Increase <decrease> in pension contribution payable | 3,708 | 201,022 |
| Increase <decrease> in Due to U.S. Department of Health and Human Services | - | < 195,320> |
| Net cash provided by (used in) operating activities | <u>382,643</u> | <u>255,625</u> |
| Cash flows from investing activities: | | |
| Purchase of investment securities | < 1,397,979> | < 948,417> |
| Proceeds from sale of investments | 1,348,358 | 1,255,338 |
| Acquisition of modular buildings | - | < 93,500> |
| Acquisition of transportation equipment | <u>< 29,656></u> | <u>-</u> |
| Net cash provided by (used in) investing activities | <u>< 79,277></u> | <u>213,421</u> |
| Net increase <decrease> in cash and cash equivalents | 303,366 | 469,046 |
| Cash and cash equivalents, beginning of year | <u>1,038,712</u> | <u>569,666</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,342,078</u> | <u>\$ 1,038,712</u> |

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

TOTAL COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Total Community Action, Inc. was organized to promote and develop economic opportunity in the City of New Orleans, to promote the education and welfare of the people of New Orleans, and to mobilize such human and financial resources as may be available to combat poverty in New Orleans.

2. Presentation of Financial Statements

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the corporation are classified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the corporation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the corporation maintains them permanently. Generally, the donors of these assets permit the corporation to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets.

3. Revenue Recognition

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets and permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grant revenue is recognized as it is earned in accordance with approved contracts.

4. Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. The depreciation expense for the year ended December 31, 2017 totaled \$347,542.

TOTAL COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Property and Equipment - Continued

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

5. Investment Securities

Under FASB ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains or losses are included in the change in net assets.

6. Receivables

The corporation considers accounts receivable to be fully collectable since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

7. Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

8. 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 these estimates.

9. Fair Values of Financial Investments

Cash, and cash equivalent amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

The fair values of investment securities are based upon quoted market prices for those or similar investments.

10. Functional Allocation of Expenses

The expense of providing the program and other activities has been summarized on a functional basis in Note O. Certain of those expenses have been allocated among the program and supporting services based on estimates by management of the costs involved.

TOTAL COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (May 25, 2018).

12. Summarized Comparative Information

Summarized comparative information are presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B - INVESTMENT SECURITIES

Investment securities, cost and approximate market value at December 31, 2017, consist of the following:

| | <u>Cost</u> | <u>Fair Market Value</u> |
|-----------------------|---------------------|--------------------------|
| Money market accounts | \$ 40,867 | \$ 40,867 |
| Government securities | 303,871 | 304,716 |
| Mutual funds | 1,010,990 | 1,161,102 |
| Common stocks | <u>865,593</u> | <u>931,687</u> |
| | <u>\$ 2,221,321</u> | <u>\$ 2,438,372</u> |

The unrealized appreciation for the year ended December 31, 2017, totaled \$235,601. As of December 31, 2017, the cumulative unrealized appreciation totaled \$217,051.

Investment income for the year ended December 31, 2017, consists of the following:

| | |
|---|-------------------|
| Interest and dividend income | \$ 58,392 |
| Gain on sale of securities | 60,100 |
| Unrealized appreciation of investment securities | <u>235,601</u> |
| | <u>\$ 354,093</u> |

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE C - GRANTS RECEIVABLE

The grants receivable consist of the following as of December 31, 2017:

| | |
|---|-------------------|
| U.S. Department of Health and Human Services | \$ 220,143 |
| City of New Orleans | 41,684 |
| State of Louisiana – Department of Education | 115,752 |
| State of Louisiana – Louisiana Workforce Commission | 199,524 |
| Louisiana Housing Corporation | 8,796 |
| | <u>\$ 585,899</u> |

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017, consist of the following:

| | |
|-------------------------------|----------------------------|
| Building | \$ 4,546,853 |
| Building improvements | 4,202,977 |
| Transportation equipment | <u>29,656</u> |
| | 8,779,486 |
| Less accumulated depreciation | <u>< 2,317,981 ></u> |
| | 6,461,505 |
| Land | <u>108,300</u> |
| | <u>\$ 6,569,805</u> |

Total Community Action, Inc. follows the practice of not capitalizing furniture, fixtures and equipment acquired with federal or state funds, since the government has a reversionary interest in such assets. These assets total \$1,431,213 at December 31, 2017. Also, the federal government has a financial interest in the buildings and improvements.

NOTE E – ECONOMIC INTEREST – ECONOMIC DEVELOPMENT UNIT, INC.

On November 2, 1999, Total Community Action, Inc. cancelled its note receivable with Economic Development Unit, Inc. totaling \$433,200. In consideration of the cancellation of the note, Total Community Action, Inc. received three appointments to the Board of Directors of Economic Development Unit, Inc. The Board of Directors shall consist of between six and nine members. In addition, upon dissolution of Economic Development Unit, Inc., the assets shall be donated and distributed to Total Community Action, Inc. The Articles of Incorporation of Economic Development Unit, Inc. has been amended to reflect the change in the Board of Director's composition and the distribution of its assets and property upon dissolution.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE E – ECONOMIC INTEREST – ECONOMIC DEVELOPMENT UNIT, INC. - CONTINUED

The unaudited financial statements of Economic Development Unit, Inc. as of and for the year ended December 31, 2017, consist of the following:

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

| ASSETS | | LIABILITIES AND NET ASSETS | |
|--------------------------------|------------------------|--|-------------------------|
| Cash | \$ 125,382 | Note payable-financial institutions | \$ 428,292 |
| Receivables | 8,700 | Accounts payable and accrued liabilities | <u>178,710</u> |
| Property and equipment-at cost | | Total liabilities | <u>607,002</u> |
| Building | 604,030 | | |
| Improvements | <u>78,365</u> | | |
| | 682,395 | | |
| less accumulated depreciation | <u><682,395></u> | | |
| | - | | |
| Land | <u>200,000</u> | Net assets - unrestricted | <u>< 272,920></u> |
| | <u>200,000</u> | Total net assets | <u>< 272,920></u> |
| Total assets | \$ <u>334,082</u> | Total liabilities and net assets | \$ <u>334,082</u> |

**STATEMENT OF ACTIVITIES
For the year ended December 31, 2017**

| | |
|-----------------------------------|----------------------------|
| REVENUE | |
| Rental income | \$ 259,704 |
| Interest income | 92 |
| Grant revenue - FEMA | 44,528 |
| Other income | <u>9,600</u> |
| Total revenue | <u>313,924</u> |
| EXPENSES | |
| Rental expenses | 240,375 |
| Management and general | <u>129,427</u> |
| Total expenses | <u>369,802</u> |
| Increase <decrease> in net assets | < 55,878> |
| Net assets, beginning of year | <u>< 217,042></u> |
| Net assets, end of year | \$ <u>< 272,920></u> |

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE F – PENSION PLAN

Total Community Action, Inc. sponsors a defined contribution employee pension plan covering all employees twenty-one years or older who have worked for the corporation a minimum of three years. The corporation decides the amount, if anything, to contribute each year to the individual retirement accounts for the eligible employees based on a percentage of annual compensation. The percentage for the year ended December 31, 2017 was 9.5% or \$751,735. There was no change in the percentage from the prior year.

NOTE G – COMMITMENTS

The corporation leases its administrative and program offices. The offices located at South Jefferson Davis Parkway, New Orleans are leased through December 31, 2050. All other offices are leased annually. The rental expense for the year ended December 31, 2017 totaled \$303,925. The aggregate maturities of the long-term lease consist of the following:

| Year ended December 31, | |
|----------------------------|----------------|
| 2018 | \$ 209,975 |
| 2019 | 209,975 |
| 2020 | 209,975 |
| 2021 | 209,975 |
| 2022 | 209,975 |
| 2023-2027 | 1,049,875 |
| 2028-2032 | 1,049,875 |
| 2033-2037 | 1,049,875 |
| 2038-2042 | 1,049,875 |
| 2043-2047 | 1,049,875 |
| 2048-2050 | <u>629,925</u> |
| | \$ 6,929,175 |

Since Hurricane Katrina damaged the facility in August, 2005, lease payments were suspended for offices not occupied by Total Community Action, Inc. As the administrative and program offices are repaired, lease payments will continue accordingly.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017, the temporarily restricted net assets consist of the following:

| | |
|---|----------------------|
| Assets For Independence Demonstration | \$ 62,873 |
| Home Energy Assistance Program | 235,586 |
| Louisiana Public Health Institute | 53,250 |
| Financial futures | 2,906 |
| Greater New Orleans Foundation | 425 |
| Unity of Greater New Orleans, Inc. | 2,598 |
| Insurance – Hurricane Katrina | 1,226,927 |
| Property and equipment | 6,569,805 |
| Healthy Marriage and Responsible Fatherhood Community Demonstration Initiative | 750 |
| Community Services Block Grant | 17,784 |
| Frontline Solutions International | 3,753 |
| City of New Orleans - Goodwill | 2,581 |
| W. K. Kellogg Foundation | 364,032 |
| City of New Orleans - GVRS | 8,958 |
| Unemployment | 1,772,147 |
| City of New Orleans - Summer Youth | 7,846 |
| City of New Orleans - NOLA for Life | 32,683 |
| City of New Orleans - Youth Summer Camp Partnership | 3,077 |
| | <u>\$ 10,367,981</u> |

NOTE I – TEMPORARY RESTRICTED NET ASSETS - UNEMPLOYMENT FUND

Total Community Action, Inc. is self-insured for employee unemployment compensation claims through the establishment of an unemployment insurance fund.

Transfers of \$115,702 were made from program funds to the unemployment insurance fund for the year ended December 31, 2017, which is accounted for as revenue of the unemployment insurance fund and an expense of the related program. The unemployment insurance fund reimburses the unrestricted fund for all direct costs in administering the program and transfers all net interest income earned on unemployment insurance funds to the unrestricted fund.

All known claims as of December 31, 2017 have been recorded in the financial statements.

NOTE J – RELATED PARTY TRANSACTIONS

The principal premises of Total Community Action, Inc. is leased from an affiliated non-profit corporation. The lease is a long-term lease expiring December 31, 2050. The rental payments for the year ended December 31, 2017 totaled \$255,084.

NOTE K – INCOME TAXES

The corporation is exempt from corporation income taxes under Section 501(c)(3) of the Internal Revenue Code.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE K – INCOME TAXES - CONTINUED

The corporation has adopted the provisions of FASB ASC 740-10-25, which requires a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The corporation does not believe its financial statements include any uncertain tax positions.

NOTE L – BOARD OF DIRECTORS

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE M – INSURANCE – HURRICANE KATRINA

During 2006, the corporation received insurance proceeds totaling \$1,536,814. Since the premiums were paid with federal and non-federal funds, the corporation elected to utilize the non-federal portion first. As of December 31, 2017, the balance of insurance proceeds (\$1,226,927) will be classified as temporarily restricted net assets and benefit the programs that directly contributed to the end-of-year amounts (Head-Start Program).

NOTE N – CONCENTRATION OF CREDIT RISK

The corporation's cash balance as of December 31, 2017, before deducting outstanding checks, consists of the following:

| | | |
|--------------------------------|----------------|--------------------------|
| Financial institutions | | \$ 1,719,517 |
| Less: FDIC and FSLIC insurance | \$ 474,088 | |
| Pledged securities | <u>500,000</u> | <u>< 974,088 ></u> |
| Unsecured balance | | <u>\$ 745,429</u> |

Total Community Action, Inc. invests in corporate bonds, government securities, and mutual funds. Investment securities are subject to various risks; such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE O – FUNCTIONAL EXPENSES

The functional expenses for the year ended December 31, 2017 consist of the following:

| | |
|-----------------------------|----------------------|
| Program services | |
| Daycare/Head Start Services | \$ 13,774,817 |
| Community Services | 1,874,672 |
| Home Energy Assistance | 362,252 |
| Food Distribution Program | <u>43,146</u> |
| | <u>16,054,887</u> |
| Supportive services | |
| Management and General | <u>1,145,636</u> |
| Total expenses | <u>\$ 17,200,523</u> |

NOTE P – ECONOMIC DEPENDENCY

Total Community Action, Inc. receives a majority of its revenues from funds provided through grants administered by the Department of Human Services and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are effected at the federal and/or state level, the amount of the funds Total Community Action, Inc. 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 Total Community Action, Inc. will receive in the next fiscal year.

The corporation is supported primarily through grants from governmental agencies. Approximately 96% of the corporation support for the year ended December 31, 2017 came from these grants.

NOTE Q – FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB ASC 820-10, Fair Value Measurement, requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair value. Financial instruments are included in the table below.

TOTAL COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE Q – FAIR VALUES OF FINANCIAL INSTRUMENTS - CONTINUED

| <u>Fair Value Measurement of Reporting Date</u> | | | | |
|---|---------------------|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money market accounts | \$ 40,867 | \$ 40,867 | \$ - | \$ - |
| Government securities | 304,716 | 304,716 | - | - |
| Mutual funds | 1,161,102 | 1,161,102 | - | - |
| Common stocks | <u>931,687</u> | <u>931,687</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 2,438,372</u> | <u>\$ 2,438,372</u> | <u>\$ -</u> | <u>\$ -</u> |

The assumptions to estimate fair values are as follows:

The fair market value of marketable securities are based on quoted market prices for those or similar investments.

SUPPLEMENTAL INFORMATION

TOTAL COMMUNITY ACTION, INC.
COMBINED STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

| | HEAD START AND EARLY HEAD START GRANT #06CH010147-03-03 | W. K. KELLOGG FOUNDATION | EARLY HEAD START/CHILD CARE PARTNERSHIP GRANT #06HP0031-02-01 | CHILD CARE FOOD PROGRAM |
|-----------------------------------|--|-------------------------------------|--|--|
| REVENUES | | | | |
| Grant appropriations | \$ 12,453,651 | \$ - | \$ 916,656 | \$ 678,461 |
| Investment income | 902 | - | - | - |
| Other | <u>116,541</u> | <u>-</u> | <u>16,541</u> | <u>-</u> |
| | <u>12,571,094</u> | <u>-</u> | <u>933,197</u> | <u>678,461</u> |
| EXPENSES | | | | |
| Salaries | 5,536,060 | 79,162 | 177,295 | 228,577 |
| Fringe benefits | 1,639,443 | 16,259 | 46,916 | 37,453 |
| Travel | 40,734 | 2,372 | 3,556 | - |
| Contractual | 813,704 | 34,200 | 621,922 | - |
| Supplies | 429,949 | 3,425 | 14,978 | 13,552 |
| Food costs | 55,043 | - | 224 | 398,879 |
| Subrecipient costs | 1,671,557 | - | - | - |
| Equipment expenses | 753,062 | - | 14,997 | - |
| Insurance | 205,701 | - | - | - |
| Assistance to individuals | - | - | - | - |
| Telephone | 76,385 | - | 2,115 | - |
| Occupancy | 600,109 | - | 20,974 | - |
| Vehicle expense | 20,489 | - | - | - |
| Postage | 2,629 | - | - | - |
| Other costs | <u>726,229</u> | <u>7,006</u> | <u>30,220</u> | <u>-</u> |
| | <u>12,571,094</u> | <u>142,424</u> | <u>933,197</u> | <u>678,461</u> |
| Increase <decrease> in net assets | - | < 142,424 > | - | - |
| Transfer costs to/from general | - | - | - | - |
| Capitalization of equipment | - | - | - | - |
| Net assets beginning of year | <u>-</u> | <u>506,456</u> | <u>-</u> | <u>-</u> |
| Net assets, end of year | <u>\$ -</u> | <u>\$ 364,032</u> | <u>\$ -</u> | <u>\$ -</u> |

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2017

| | <u>COMMUNITY SERVICES BLOCK GRANT PROGRAM</u> | <u>HOME ENERGY ASSISTANCE PROGRAM</u> | <u>GREATER NEW ORLEANS FOUNDATION</u> | <u>HEALTHY MARRIAGE AND RESPONSIBLE FATHERHOOD COMMUNITY DEMONSTRATION INITIATIVE</u> |
|---------------------------------------|---|---|---|---|
| REVENUES | | | | |
| Grant appropriations | \$ 1,686,592 | \$ 344,645 | \$ - | \$ - |
| Investment income | - | - | - | - |
| Other | - | 100,000 | - | - |
| | <u>1,686,592</u> | <u>444,645</u> | <u>-</u> | <u>-</u> |
| EXPENSES | | | | |
| Salaries | 1,011,027 | 150,853 | - | - |
| Fringe benefits | 278,030 | 56,115 | - | - |
| Travel | 31,132 | 1,434 | - | - |
| Contractual | - | 4,334 | - | - |
| Supplies | 20,521 | 26,288 | - | - |
| Food costs | - | - | - | - |
| Subrecipient costs | - | - | - | - |
| Equipment expenses | 54,131 | 14,951 | - | - |
| Insurance | 20,007 | 5,526 | - | - |
| Assistance to individuals | 22,902 | 33,245 | - | - |
| Telephone | 42,425 | - | - | - |
| Occupancy | 155,356 | 62,349 | - | - |
| Vehicle expense | 10,619 | - | - | - |
| Postage | 4,419 | 36 | - | - |
| Other costs | 36,005 | 7,121 | - | - |
| | <u>1,686,574</u> | <u>362,252</u> | <u>-</u> | <u>-</u> |
| Increase <decrease> in net assets | 18 | 82,393 | - | - |
| Transfer costs to/from general | - | - | - | - |
| Capitalization of equipment | - | - | - | - |
| Net assets beginning of year | <u>17,766</u> | <u>153,193</u> | <u>425</u> | <u>750</u> |
| Net assets, end of year | <u>\$ 17,784</u> | <u>\$ 235,586</u> | <u>\$ 425</u> | <u>\$ 750</u> |

TOTAL COMMUNITY ACTION, INC.
COMBINED STATEMENT OF ACTIVITIES – CONTINUED

For the year ended December 31, 2017

| | <u>CITY OF NEW ORLEANS GVRS</u> | <u>FOOD DISTRIBUTION PROGRAM CITY OF NEW ORLEANS</u> | <u>FRONTLINE SOLUTIONS INTERNATIONAL</u> | <u>LOUISIANA PUBLIC HEALTH INSTITUTE</u> | <u>CITY OF NEW ORLEANS YOUTH SUMMER CAMP PARTNERSHIP</u> |
|-----------------------------------|---|--|--|--|--|
| REVENUES | | | | | |
| Grant appropriations | \$ 107,792 | \$ 42,451 | \$ - | \$ - | \$ - |
| Investment income | - | - | - | - | - |
| Other | - | - | - | - | - |
| | <u>107,792</u> | <u>42,451</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENSES | | | | | |
| Salaries | 89,930 | - | - | - | - |
| Fringe benefits | 25,453 | - | - | - | - |
| Travel | 81 | - | - | - | - |
| Contractual | 2,350 | - | - | - | - |
| Supplies | 223 | 1,954 | - | - | - |
| Food costs | - | 36,103 | - | - | - |
| Subrecipient costs | - | - | - | - | - |
| Equipment expenses | 3,300 | - | - | - | - |
| Insurance | - | - | - | - | - |
| Assistance to individuals | - | - | - | - | - |
| Telephone | - | - | - | - | - |
| Occupancy | - | - | - | - | - |
| Vehicle expense | - | 545 | - | - | - |
| Postage | - | 1,434 | - | - | - |
| Other costs | 284 | 3,110 | - | - | - |
| | <u>121,621</u> | <u>43,146</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Increase <decrease> in net assets | < 13,829> | < 695> | - | - | - |
| Transfer costs to/from general | - | 453 | - | - | - |
| Capitalization of equipment | - | - | - | - | - |
| Net assets, beginning of year | <u>22,787</u> | <u>242</u> | <u>3,753</u> | <u>53,250</u> | <u>3,077</u> |
| Net assets, end of year | <u>\$ 8,958</u> | <u>\$ -</u> | <u>\$ 3,753</u> | <u>\$ 53,250</u> | <u>\$ 3,077</u> |

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES – CONTINUED

For the year ended December 31, 2017

| | <u>CITY OF NEW ORLEANS EMERGENCY SOLUTIONS GRANT</u> | <u>CITY OF NEW ORLEANS GOODWILL</u> | <u>CITY OF NEW ORLEANS SUMMER YOUTH</u> | <u>CITY OF NEW ORLEANS NOLA FOR LIFE</u> | <u>UNITED WAY VITA PROGRAM</u> |
|-----------------------------------|--|---|---|--|--|
| REVENUES | | | | | |
| Grant appropriations | \$ 187,042 | \$ - | \$ 70,740 | \$ 15,068 | \$ 17,303 |
| Investment income | - | - | - | - | - |
| Other | - | - | - | - | - |
| | <u>187,042</u> | <u>-</u> | <u>70,740</u> | <u>15,068</u> | <u>17,303</u> |
| EXPENSES | | | | | |
| Salaries | 22,207 | - | 15,725 | - | 14,323 |
| Fringe benefits | 8,026 | - | 3,838 | - | 3,393 |
| Travel | - | - | - | - | - |
| Contractual | - | - | 50,665 | - | - |
| Supplies | - | - | - | - | - |
| Food costs | - | - | - | - | - |
| Subrecipient costs | - | - | - | - | - |
| Equipment expenses | - | - | - | - | - |
| Insurance | - | - | - | - | - |
| Assistance to individuals | 153,786 | - | - | - | - |
| Telephone | - | - | - | - | - |
| Occupancy | - | - | - | - | - |
| Vehicle expense | - | - | - | - | - |
| Postage | - | - | - | - | - |
| Other costs | 5,931 | - | 122 | 4,354 | 300 |
| | <u>189,950</u> | <u>-</u> | <u>70,350</u> | <u>4,354</u> | <u>18,016</u> |
| Increase <decrease> in net assets | < 2,908> | - | 390 | 10,714 | < 713> |
| Transfer costs to/from general | 2,908 | - | - | - | 713 |
| Capitalization of equipment | - | - | - | - | - |
| Net assets, beginning of year | <u>-</u> | <u>2,581</u> | <u>7,456</u> | <u>21,969</u> | <u>-</u> |
| Net assets, end of year | <u>\$ -</u> | <u>\$ 2,581</u> | <u>\$ 7,846</u> | <u>\$ 32,683</u> | <u>\$ -</u> |

TOTAL COMMUNITY ACTION, INC.
COMBINED STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2017

| | <u>GENERAL</u> | <u>UNEMPLOYMENT</u> | <u>INSURANCE HURRICANE KATRINA</u> | <u>UNITY OF GREATER NEW ORLEANS, INC. HOUSING PLUS</u> | <u>INDIRECT COST ACCOUNT</u> |
|---------------------------------------|----------------------------|---------------------|--|--|--------------------------------------|
| REVENUES | | | | | |
| Grant appropriations | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investment income | 17,373 | 259,310 | 76,508 | - | - |
| Other | <u>66,899</u> | <u>115,702</u> | <u>-</u> | <u>-</u> | <u>383,994</u> |
| | <u>121,552</u> | <u>375,012</u> | <u>76,508</u> | <u>-</u> | <u>383,994</u> |
| EXPENSES | | | | | |
| Salaries | < 65,925 > | - | - | - | 372,202 |
| Fringe benefits | - | 21,048 | - | - | 93,674 |
| Travel | 181 | - | - | - | - |
| Contractual | - | - | - | - | 6,543 |
| Supplies | - | - | - | - | - |
| Food costs | - | - | - | - | - |
| Subrecipient costs | - | - | - | - | - |
| Equipment expenses | - | - | - | - | - |
| Insurance | 1,094 | - | - | - | - |
| Assistance to individuals | - | - | - | - | - |
| Telephone | - | - | - | - | - |
| Occupancy | - | - | - | - | 4,497 |
| Vehicle expense | - | - | - | - | - |
| Postage | - | - | - | - | - |
| Other costs | <u>75,381</u> | <u>10,497</u> | <u>125</u> | <u>-</u> | <u>11,921</u> |
| | <u>10,731</u> | <u>31,545</u> | <u>125</u> | <u>-</u> | <u>488,837</u> |
| Increase <decrease> in net assets | 128,194 | 343,467 | 76,383 | - | < 104,843 > |
| Transfer costs to/from general | < 108,917 > | - | - | - | 104,843 |
| Capitalization of equipment | < 29,656 > | - | - | - | - |
| Net assets, beginning of year | <u>< 25,032 ></u> | <u>1,428,680</u> | <u>1,150,544</u> | <u>2,598</u> | <u>-</u> |
| Net assets, end of year | <u>\$ < 35,411 ></u> | <u>\$ 1,772,147</u> | <u>\$ 1,226,927</u> | <u>\$ 2,598</u> | <u>\$ -</u> |

TOTAL COMMUNITY ACTION, INC.
COMBINED STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2017

| | <u>FINANCIAL FUTURES</u> | <u>ASSETS FOR INDEPENDENCE DEMONSTRATION</u> | <u>PROPERTY AND EQUIPMENT</u> | <u>ELIMINATIONS</u> | <u>TOTAL</u> |
|-----------------------------------|------------------------------|--|---------------------------------------|-------------------------|----------------------|
| REVENUES | | | | | |
| Grant appropriations | \$ - | \$ - | \$ - | \$ - | \$ 16,520,401 |
| Investment income | - | - | - | - | 354,093 |
| Other | - | - | - | < 499,696> | 354,634 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>< 499,696></u> | <u>17,229,128</u> |
| EXPENSES | | | | | |
| Salaries | - | - | - | - | 7,631,436 |
| Fringe benefits | - | - | - | < 115,702> | 2,113,946 |
| Travel | - | - | - | - | 79,490 |
| Contractual | - | - | - | - | 1,533,718 |
| Supplies | - | - | - | - | 510,890 |
| Food costs | - | - | - | - | 490,249 |
| Subrecipient costs | - | - | - | - | 1,671,557 |
| Equipment expenses | - | - | - | - | 840,441 |
| Insurance | - | - | - | - | 232,328 |
| Assistance to individuals | - | - | - | - | 209,933 |
| Telephone | - | - | - | - | 120,925 |
| Occupancy | - | - | - | - | 843,285 |
| Vehicle expense | - | - | - | - | 31,653 |
| Postage | - | - | - | - | 8,518 |
| Other costs | - | - | 347,542 | < 383,994> | 882,154 |
| | <u>-</u> | <u>-</u> | <u>347,542</u> | <u>< 499,696></u> | <u>17,200,523</u> |
| Increase <decrease> in net assets | - | - | < 347,542> | - | 28,605 |
| Transfer costs to/from general | - | - | - | - | - |
| Capitalization of equipment | - | - | 29,656 | - | - |
| Net assets, beginning of year | <u>2,906</u> | <u>62,873</u> | <u>6,887,691</u> | <u>-</u> | <u>10,303,965</u> |
| Net assets, end of year | <u>\$ 2,906</u> | <u>\$ 62,873</u> | <u>\$ 6,569,805</u> | <u>\$ -</u> | <u>\$ 10,332,570</u> |

TOTAL COMMUNITY ACTION, INC.

SCHEDULE OF EXPENSES - DIRECT AND INDIRECT COSTS

For the year ended December 31, 2017

| | <u>DIRECT COSTS</u> | <u>INDIRECT COSTS</u> | <u>TOTAL COSTS</u> |
|---------------------------|--------------------------------|----------------------------------|-------------------------------|
| EXPENSES | | | |
| Salaries | 7,259,234 | \$ 372,202 | \$ 7,631,436 |
| Fringe benefits | 2,020,272 | 93,674 | 2,113,946 |
| Travel | 79,490 | - | 79,490 |
| Contractual | 1,527,175 | 6,543 | 1,533,718 |
| Supplies | 510,890 | - | 510,890 |
| Food costs | 490,249 | - | 490,249 |
| Subrecipient costs | 1,671,557 | - | 1,671,557 |
| Equipment expenses | 840,441 | - | 840,441 |
| Insurance | 232,328 | - | 232,328 |
| Assistance to individuals | 209,933 | - | 209,933 |
| Telephone | 120,925 | - | 120,925 |
| Occupancy | 838,788 | 4,497 | 843,285 |
| Vehicle expense | 31,653 | - | 31,653 |
| Postage | 8,518 | - | 8,518 |
| Other costs | <u>870,233</u> | <u>11,921</u> | <u>882,154</u> |
| TOTAL EXPENSES | <u>\$ 16,711,686</u> | <u>\$ 488,837</u> | <u>\$ 17,200,523</u> |

TOTAL COMMUNITY ACTION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2017

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM | FEDERAL CFDA NUMBER | PASS- THROUGH ENTITY IDENTIFYING NUMBER | TOTAL FEDERAL EXPENDITURES | EXPENDITURES TO SUBRECIPIENT |
|--|------------------------------------|--|---------------------------------------|---|
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| Direct Programs: | | | | |
| Head Start | | | | |
| Head Start and Early Head Start Program | 93.600 | | \$ 12,571,094 | \$ 1,671,557 |
| Early Head Start/Child Care Partnership | 93.600 | | <u>933,197</u> | <u>-</u> |
| Subtotal Department of Health and Human Services direct programs | | | <u>13,504,291</u> | <u>1,671,557</u> |
| Passed through Louisiana Workforce Commission: | | | | |
| Community Services Block Grant | 93.569 | | 1,686,574 | - |
| Passed through Louisiana Housing Corporation | | | | |
| Low-Income Home Energy Assistance Program | 93.568 | | <u>362,252</u> | <u>-</u> |
| Subtotal Department of Health and Human Services pass-through programs | | | <u>2,048,826</u> | <u>-</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | <u>15,553,117</u> | <u>1,671,557</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Passed through State of Louisiana: | | | | |
| Child Care Food Program | 10.558 | | <u>678,461</u> | <u>-</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>678,461</u> | <u>-</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| Passed through City of New Orleans: | | | | |
| Emergency Solutions Grant | 14.231 | ESG-0311 | <u>187,042</u> | <u>-</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | <u>187,042</u> | <u>-</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 16,418,620</u> | <u>\$ 1,671,557</u> |

TOTAL COMMUNITY ACTION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended December 31, 2017

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Total Community Action, Inc. under programs of the federal government for the year ended December 31 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Total Community Action, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Total Community Action, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

NOTE C - SUBRECIPIENT EXPENDITURES

The subrecipient costs consist of the following:

| | <u>Head Start and Early Head Start Program</u> |
|---|--|
| Central City Economic Opportunity Corporation | \$ 1,163,683 |
| Urban League of Greater New Orleans | <u>507,874</u> |
| | <u>\$ 1,671,557</u> |

NOTE D - IN-KIND CONTRIBUTIONS

As of December 31, 2017, the in-kind contributions consist of the following:

| | |
|---|---------------------|
| Head Start and Early Head Start | \$ 2,911,735 |
| Early Head Start/Child Care Partnership | <u>155,143</u> |
| | <u>\$ 3,066,878</u> |

The corporation's Head Start and Early Head Start Program match was 20%. The corporation was not in compliance with the matching requirement at December 31, 2017.

The corporation's Early Head Start/Child Care Partnership program match was 15.99%. The corporation was in compliance with the matching requirement for the grant year ending August 31, 2017.

TOTAL COMMUNITY ACTION, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

For the year ended December 31, 2017

Agency Head Name: **Thelma H. French**

| | <u>Purpose</u> | <u>Amount</u> |
|--|--|----------------------|
| | Salary | \$ 150,888 |
| | Benefits - retirement | 28,189 |
| | Benefits - life | 254 |
| | Personal use of business auto | 969 |
| | Travel and continuing professional education | 26,231 |

Justin J. Scanlan, C.P.A., L.L.C.

A LIMITED LIABILITY COMPANY

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

Board of Directors Total Community Action, 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 Total Community Action, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 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 May 25, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
May 25, 2018

Justin J. Scanlan, C.P.A., L.L.C.

A LIMITED LIABILITY COMPANY

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

**Board of Directors
Total Community Action, Inc.**

Report on Compliance for Each Major Federal Program

We have audited Total Community Action, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Total Community Action, Inc.'s major federal programs for the year ended December 31, 2017. Total Community Action, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Total Community Action, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Total Community Action, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Total Community Action, Inc.'s compliance.

Basis on Qualified Opinion on Head Start and Early Head Start Program

As described in the accompanying schedule of findings and questioned costs, Total Community Action, Inc. did not comply with requirements regarding CFDA 93.600 Head Start and Early Head Start as described in finding number 2017-001 for Matching. Compliance with such requirements is necessary, in our opinion, for Total Community Action, Inc. to comply with requirements applicable to that program.

Qualified Opinion on Head Start and Early Head Start Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Total Community Action, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Head Start and Early Head Start Program for the year ended December 31, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Total Community Action, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2017.

Other Matters

Total Community Action, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Total Community Action, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Total Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Total Community Action, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate to 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 Total Community Action, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purposes 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scoulan, CPA, LLC

New Orleans, Louisiana
May 25, 2018

TOTAL COMMUNITY ACTION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2017

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued.

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs:

Qualified
 Head Start and Early Head Start

Unmodified
 Community Services Block Grant
 Early Head Start/Child Care
 Partnership

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR Section 200.516(a)

 X yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program

| | |
|----------------------------|--|
| 93.600 93.600 93.569 | U. S. Department of Health and Human Services Head Start: Head Start and Early Head Start Early Head Start/Child Care Partnership Community Services Block Grant |
|----------------------------|--|

Dollar threshold used to distinguish between type A and B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

TOTAL COMMUNITY ACTION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 2017

B. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended December 31, 2017.

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
COMPLIANCE
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

2017-001 MATCHING

**Head Start and Early Head Start CFDA No. 93.600; Grant No. 06CH010147-0303;
Grant Period - Year ended December 31, 2017**

Statement of Condition: The non-federal shared did not meet the 20% matching requirements as stated in the Notice of Award.

Criteria: The non-federal match must equal or exceed 20% of the total costs.

Effect of Condition: Cost may be disallowed by the grants.

Questioned Costs: None.

Cause of Condition: The non-federal match totaled \$2,911,735 for the year ended December 31, 2017. Since the federal costs incurred totaled \$12,571,094, the non-federal match should equal \$3,142,774. The shortfall totaled \$231,039 for the year ended December 31, 2017.

Recommendation: The non-federal contributions should be monitored monthly to assure compliance with the matching condition of the grant.

Response: See Corrective Action Plan.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.



Response to Schedule of Findings

For the year ended December 31, 2017

TCA Corrective Action Plan

2017-001 MATCHING

Statement of Condition: The non-federal share did not meet the 20% matching requirement as stated in the Notice of Award.

Cause of Condition: The non-federal match totaled \$2,911,735 for the year ended December 31, 2017. Since the federal cost incurred totaled \$12,571,094, the non-federal match should equal \$3,142,774. The shortfall total \$231,039 for the year ended December 31, 2017.

Corrective Actions: Agency has revised and implemented a comprehensive non-federal share (match) reporting system, and conducted a technical assistance session with program staff, to increase capture and documentation of non-federal share match. Additionally, agency included the non-federal share (accountabilities) in all child care partners and delegates contract. This documentation will be monitored quarterly by program management team, and the agency leadership in the grants quarterly fiscal review. Finally, the agency will proactively submit for Board approval non-federal share waiver request, when needed by the end of the third quarter of the grant year, to ensure compliance with federal non-federal share requirements.

TOTAL COMMUNITY ACTION, INC.
STATEWIDE AGREED-UPON PROCEDURES
For the year ended December 31, 2017

Justin J. Scanlan, C.P.A., L.L.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Total Community Action, Inc.

We have performed the procedures enumerated below, which were agreed to by Total Community Action, Inc. and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the year ended December 31, 2017. Total Community Action, Inc.'s management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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

The procedures and associated results are as follows:

Written Policies and Procedures

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 card, 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.

Result

Under the Contracting Policy, the Board of Directors has delegated all contracting authority to the Executive Director. The approval process does not involve the Board of Directors. The Contracting Policy should be amended to include Board of Directors approval required under certain conditions.

Board (or Finance Committee, if applicable)

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

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 exceptions were noted.

Bank Reconciliations

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

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). 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.

Results

Five of the fourteen bank accounts were reviewed. No evidence was presented that reflected that management has reviewed each bank reconciliation. Three of the five bank accounts examined had checks over one year old totaling \$10,562. The other two accounts examined had reconciling items over six month old totaling \$886.

Collections

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

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). 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 cash in the bank, recording the related transaction, or reconciling the related bank account collected, recording related transactions 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 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.

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, and agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Note

The collection procedures are not applicable. The organization primarily received monies from its primary grantors, federal and state government agencies.

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

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.

Using the disbursement population from the paragraph 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/debt 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; as receiving report showing the receipts of goods purchased, or electronic equivalent ; and an approved invoice.

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.

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.

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.

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.

Note

The organization does not use a signature stamp.

No exceptions were noted.

Credit Cards

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.

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.

Using the monthly statements or combined statements selected, 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., identified 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.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results

Reviewed the Chase credit card activity for the February /March billing cycle. Two of the forty-four transactions totaling \$138 lacked adequate support.

Travel and Expense Reimbursement

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.

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

Using the listing or general ledger, 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 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 individual 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 the reimbursement.

No exceptions were noted.

Contracts

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.

Using the listing above, select the five contact "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payment 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.
 - c) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Results

The contract examined did not require Board of Director's approval. The Contracting Policy should be reviewed to require Board of Director's approval that exceed a dollar threshold.

Payroll and Personnel

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

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- 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.

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.

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 termination payments were made in strict accordance with policy and/or contract and approved by management.

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.

No exceptions were noted.

Ethics

Non-profit organizations are excluded from the Ethics Statewide Agreed-Upon Procedures.

Debt Service

Non-Profit organizations are excluded from the Debt Service Statewide Agreed-Upon Procedures.

Other

Inquire of management whether the entity had any misappropriation 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.

Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1 The notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abusive of public funds.

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 conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the State Agreed-Upon Procedures. 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 State Agreed-Upon Procedures, 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 Louisiana Legislative Auditor as a public document.

Justin J. Sculley, CPA, LLC

New Orleans, Louisiana
May 25, 2018



TOTAL COMMUNITY ACTION, INC.

Responses to

STATEWIDE AGREED-UPON PROCEDURES

for the year ended December 31, 2017

Written Policies and Procedures(page3)

Contracting- Result Reported: Under the Contracting Policy, the Board of Directors has delegated all contracting authority to the Executive Director. The approval process does not involve the Board of Directors. The Contracting Policy should be amended to include Board of Directors approval required under certain conditions:

TCA Response: While the current TCA Board Policy does not require Board Approval, a review of the TCA Board Committee and Board agenda and minutes will reflect that it is the practice and procedure of the TCA Administration (CEO) to present all child care partner and delegate agency contracts to Budget & Finance and Program Committees, and the full Board. Secondly, TCA utilizes an approved vendor list for procurement of recurring goods services, these vendors are bid annually, and these bids and all other Bids/ RFPs are presented to the respective Board Committees and Board for approval (and in the case of the Head Start contracts and vendors, they are also presented to the Policy Council, in accordance with OHS regulations).

It should be noted that TCA is nonprofit agency that receives and administers multi municipal, state and federal grant programs and services; annually the Board by Resolution authorizes the President & CEO to sign said grant awards/contracts, following the execution thereof it has been the practice and procedure that the Board through its Committees and full Board are provided with detail information relative to each grant agreement/contract, compliance and required programmatic services.

In response to the noted **result** in *statewide agreed-upon procedure report*, the CEO will consult with then Executive Committee and develop an appropriate dollar threshold for Board Approval of contracts for Board adoption at the September 11, 2018 Board regular meeting.

Bank Reconciliations

Results: Five of the fourteen bank accounts were reviewed. No evidence was presented that reflected that management has reviewed each bank reconciliation. Three of the five bank account examined had checks over one-year old totaling \$10,562. The other two accounts examined had reconciling items over six months old totaling \$886.

TCA Response: Effective immediately the Chief Operating Officer (COO) will review and approve each monthly bank reconciliation and sign and date to verify that it was reviewed. With this review process the COO will monitor and make sure that outstanding checks are written off every 90 days and that the reconciling items are reconciled and corrected on a monthly basis ensuring that these situations will not occur again.

Credit Cards (pages 7 & 8)

Result: Reviewed the chase credit card activity for the February/March billing cycle. Two of the forty-four totaling \$138 lacked adequate support.

TCA Response: The noted two transactions were direct accountability of the President& CEO, while the records include a copy of the memorandum provided to the COO relative to the cost allocation of the referenced transactions, it has been noted that receipts for the transactions was not located in the credit card file.

The CEO proposes to provide several additions to the current credit card procedure, to strengthen the documentation process and reduce the risk of missing documentation, as well as standard for documentation of missing receipts for small purchases, and card user accountability or repeated instances of missing or irretrievable documentation. These procedure enhancements will be presented the Budget & Finance Committee for review and approval during the September Board Committee cycle and presented to full Board for approval at the September 11, 2018 Board meeting.

Contracts page 9& 10

Result: The contract examined did not require Board of Director's approval.

TCA Response: As stated in response to the result noted in the *written policies and procedures review*, while the current Board Contracting policy does not explicitly state a requirement for Board approval or a threshold for Board approval, it has been the practice and procedure of this administration to present all contracts to the appropriate Board Committees, prior to execution, and to provide the Board with contractual performance updates or reviews as appropriate. These attestations are validated through the Board and Board Committee agendas and minutes.

Again, as previously stated in the response to the noted result in *statewide agreed-upon procedure report*, the CEO will consult with then Executive Committee and develop an appropriate dollar threshold for Board Approval of contracts for Board adoption at the September 11, 2018 Board regular meeting.