

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**FINANCIAL REPORT**

August 31, 2022

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Louisiana Delta Service Corps  
Baton Rouge, Louisiana

### Opinion

We have audited the accompanying financial statements of the **LOUISIANA DELTA SERVICE CORPS D/B/A SERVE LOUISIANA (LDSC)** (a non-profit corporation), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LDSC as of August 31, 2022, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LDSC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LDSC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LDSC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LDSC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report on Summarized Comparative Information**

We previously reviewed LDSC's financial statements and in our conclusion dated February 21, 2022, stated that based on our review, we were not aware of any material modifications that should be made to the 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended August 31, 2021 for it to be consistent with the reviewed financial statements for which it has been derived.



Certified Public Accountants

Baton Rouge, Louisiana  
February 24, 2023

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**STATEMENT OF FINANCIAL POSITION**

August 31, 2022

(with comparative amounts for 2021)

(See Independent Auditors' Report)

**ASSETS**

	<b>2022</b>	<b>(Reviewed) 2021</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 390,146	\$ 424,305
Certificate of deposit	57,462	57,441
Accounts receivable, net	79,483	136,696
Prepaid expenses and other	19,163	11,212
Total current assets	546,254	629,654
<b>PROPERTY AND EQUIPMENT, net</b>	1,545	2,786
Total assets	\$ 547,799	\$ 632,440

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,117	\$ 3,560
Accrued expenses	10,934	19,818
Total current liabilities	14,051	23,378
<b>PAYCHECK PROTECTION PROGRAM LOAN</b>	-	131,037
Total liabilities	14,051	154,415
<b>NET ASSETS</b>		
Without donor restrictions	533,748	478,025
Total liabilities and net assets	\$ 547,799	\$ 632,440

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

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**STATEMENT OF ACTIVITIES**  
For the fiscal year August 31, 2022

(with summarized comparative amounts for 2021)

(See Independent Auditors' Report)

	<u>2022</u>	<u>(Reviewed)</u> <u>2021</u>
<b>REVENUES AND SUPPORT</b>		
<b>WITHOUT DONOR RESTRICTIONS</b>		
Grants:		
Federal assistance	\$ 622,191	\$ 477,760
State grant	25,000	-
Other:		
Host sites	285,600	259,500
Contributions	625	-
Interest and other	<u>6,107</u>	<u>7,291</u>
 Total revenues and support without donor restrictions	 <u>939,523</u>	 <u>744,551</u>
 <b>EXPENSES</b>		
Program	877,451	670,679
General and administrative	<u>137,386</u>	<u>126,201</u>
 Total expenses	 <u>1,014,837</u>	 <u>796,880</u>
 <b>OTHER INCOME</b>		
Paycheck Protection Program loan forgiveness	<u>131,037</u>	<u>131,040</u>
 Change in net assets without donor restrictions	 55,723	 78,711
 <b>NET ASSETS</b>		
Without donor restrictions, beginning of year	<u>478,025</u>	<u>399,314</u>
 Without donor restrictions, end of year	 <u>\$ 533,748</u>	 <u>\$ 478,025</u>

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

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**STATEMENT OF CASH FLOWS**  
For the fiscal year ended August 31, 2022

(with comparative amounts for 2021)

(See Independent Auditors' Report)

	<b>2022</b>	<b>(Reviewed) 2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 55,723	\$ 78,711
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,241	1,141
Forgiveness of Paycheck Protection Program loan	(131,037)	(131,040)
Increase in allowance for doubtful accounts	2,500	14,500
Change in operating assets and liabilities:		
Accounts receivable	54,713	(33,717)
Accrued expenses	(8,884)	-
Prepaid and other	(7,951)	(1,832)
Accounts payable	(443)	9,549
Net cash used by operating activities	(34,138)	(62,688)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(1,498)
Reinvestment of interest earned on certificates of deposits	(21)	(554)
Net cash used by investing activities	(21)	(2,052)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	-	131,037
Net (decrease) increase in cash	(34,159)	66,297
<b>CASH</b>		
Beginning of year	424,305	358,008
End of year	\$ 390,146	\$ 424,305

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



## LOUISIANA DELTA SERVICE CORPS

Baton Rouge, Louisiana

## STATEMENT OF FUNCTIONAL EXPENSES

For the fiscal year ended August 31, 2022

(with summarized comparative amounts for 2021)

(See Independent Auditors' Report)

	<b>Program</b>	<b>General &amp; Administrative</b>	<b>2022 Total</b>	<b>(Reviewed) 2021 Total</b>
Member costs	\$ 644,239	\$ -	\$ 644,239	\$ 479,252
Salaries	111,479	47,777	159,256	152,246
Payroll tax and benefits	23,129	9,912	33,041	29,591
External compliance costs	-	31,345	31,345	28,902
Bad debt	-	25,000	25,000	14,500
Travel	23,798	-	23,798	10,112
Occupancy	13,555	5,810	19,365	19,898
Retirement	13,352	5,723	19,075	18,106
Member engagement and support	23,223	-	23,223	7,502
Contract services	11,346	4,863	16,209	14,338
Supplies	5,911	2,533	8,444	9,304
Telephone	4,810	2,062	6,872	5,734
Membership dues and other	2,420	1,037	3,457	1,856
Depreciation	-	1,241	1,241	1,141
Recruitment	190	82	272	4,398
	<u>\$ 877,451</u>	<u>\$ 137,386</u>	<u>\$ 1,014,837</u>	<u>\$ 796,880</u>

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

## **LOUISIANA DELTA SERVICE CORPS**

Baton Rouge, Louisiana

### **NOTES TO FINANCIAL STATEMENTS**

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

##### **Organization and operations**

Louisiana Delta Service Corps (LDSC), D/B/A Serve Louisiana, is a non-profit corporation whose purpose is to engage Americans of all ages and backgrounds as participants in community based service that provides a direct and demonstrable benefit that is valued by the community. Areas of service are education, public safety, the environment, and other human needs. LDSC primarily operates in the Baton Rouge and New Orleans areas.

LDSC administers the AmeriCorps program funded by federal grants through Corporation for National and Community Service/State of Louisiana/Louisiana Serve Commission.

##### **Basis of presentation**

The accounting and reporting policies of LDSC conform to generally accepted accounting principles.

Financial position and activities are to be reported according to two classes of net assets: with donor restrictions and without donor restrictions. LDSC did not have any net assets with donor restrictions as of August 31, 2022.

##### **Recently adopted accounting pronouncements**

As of July 1, 2021, LDSC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. LDSC's adoption of ASU No. 2020-07 did not result in any adjustments to their financial statement presentation.

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

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation, allowance for doubtful accounts, and functional expenses.

### **Revenue recognition**

Revenues primarily consist of grant revenue and host site revenue. LDSC's grant revenue is primarily related to its AmeriCorps State Grant Agreement with the State of Louisiana. LDSC recognizes grant revenue as expenditures are incurred or as related services are provided as outlined in the grant agreement. For host site revenue, LDSC acquires partnerships with host sites (local non-profit organizations), and corps members via an application process for an eleven-month period. LDSC assigns individual corps members to volunteer at a specific host site for the eleven-month period. Corps member host site revenue is recognized over time in which the services are provided.

LDSC reports contributions received as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a pledge to give to LDSC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. LDSC did not have any restricted contributions or promises to give during 2022.

### **Cash**

For the purpose of the statement of cash flows, LDSC considers cash in operating bank accounts as cash.

### **Accounts receivable and allowance for doubtful accounts**

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. At August 31, 2022, accounts receivable which exceeded 90 days in age had a balance of \$39,700. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable. The allowance for doubtful accounts as of August 31, 2022 was approximately \$17,000. Accounts receivable of September 1, 2021 was \$151,196.

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

**Property and equipment**

Property and equipment with a useful life of one year or more is recorded at cost and depreciated over the asset's estimated service life using the straight-line method. Repairs and maintenance costs that do not extend the service life of the asset is expensed as incurred. Property and equipment at August 31, 2022 is as follows:

Description	Estimated Service Life	2022
Machinery and equipment	3 - 5 years	\$ 11,972
Furniture and fixtures	5 years	4,703
		16,675
Less accumulated depreciation		(15,130)
		\$ 1,545

Depreciation expense for 2022 was \$1,241.

**Vacation leave**

Vacation leave is earned at varying rates for two to four weeks depending on length of service. A maximum of ten days of unused leave can be carried over to the subsequent year. Accordingly, \$6,200 related to such vacation leave has been accrued as of August 31, 2022.

**Income taxes**

LDSC is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

LDSC follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. LDSC's open audit periods are 2019 through 2022.

**Pension plan**

LDSC sponsors a salary deferral plan (the Plan) that has been established under Section 403(b) of the Internal Revenue Code. Under the provisions of the Plan, employees may elect to defer a percentage of their compensation up to a maximum of \$20,500 annually for the 2021 calendar year. Salary deferrals, employer contribution and the related earnings are 100% vested and non-forfeitable. LDSC is not required to make matching contributions to the Plan; however for the year ended August 31, 2022, LDSC elected to contribute \$19,075 to the Plan.

These assets are held in the trust fund established under the Plan; the trust fund is independent of LDSC and administered by American Funds of VALIC.

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

### **Functional Expenses**

The statements of functional expenses present expenses of LDSC's operations functionally between program operating costs and general and administrative. Certain costs have been directly allocated. Payroll taxes, salaries and employee benefits are allocated to each function based on the percentage of actual salaries directly allocated to each function based upon level of effort related to that function. Membership costs are all treated as program expenses.

### **Subsequent events**

In preparing these financial statements, LDSC has evaluated events and transactions for potential recognition or disclosure through February 24, 2023, which is the date the financial statements were available to be issued.

## **NOTE 2 - CERTIFICATES OF DEPOSIT**

At August 31, 2022, LDSC held certificates of deposits (CD) with market value and cost of \$57,462. Interest earnings are reinvested into the CD when paid.

## **NOTE 3 – PAYCHECK PROTECTION PROGRAM LOAN**

On February 19, 2021, LDSC received loan proceeds in the amount of \$131,037 under the Paycheck Protection Program (PPP) in the second round of funding. The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses for qualifying business. The loans and accrued interest may be forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, certain employee benefits, rent and utilities, and maintains certain payroll levels.

The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months. LDSC believes it has used the proceeds for purposes consistent with the PPP and believes that its use of the loan proceeds will meet the conditions for forgiveness. However, the regulations have and may continue to change in regard to this program and requirements for forgiveness are fluid at this time.

On June 10, 2022, the SBA authorized full forgiveness of LDSC's second PPP loan in the amount of \$131,037 and is presented as other income in the statement of activities for the year ended August 31, 2022.

**NOTE 4 - ECONOMIC DEPENDENCY**

During the year ended August 31, 2022, LDSC received the majority of its revenues through Federal grants, as follows:

Federal grant	2022
Grant receivable, beginning of year	\$ 93,571
Revenues earned	622,191
Collections	<u>(663,027)</u>
 Grant receivable, end of year	 <u>\$ 52,735</u>

**NOTE 5 - OPERATING LEASE**

LDSC entered into a twelve month lease agreement to rent office space effective February 1, 2019; the lease expired on January 31, 2020. The monthly rent expense is \$1,300 with three options to renew annually for an additional twelve-month term. The current lease was renewed in January 2023 for an additional 12-month period.

During 2022, rent expense was \$15,600.

**NOTE 6 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments which subject LDSC to concentrations of credit risk consist primarily of receivables. In addition, LDSC maintains cash in local banks, which may, at times, exceed the FDIC limits. Management believes the risk is limited.

**NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

LDSC's working capital and cash flows have annual variations during the year attributable to annual federal and state grants, and cash collections from host sites. LDSC structures its financial assets to meet operational needs and liabilities throughout the fiscal year.

LDSC's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2022
Cash	\$ 390,146
Certificate of deposit	57,462
Accounts receivable, net	<u>79,483</u>
	<u>\$ 527,091</u>

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO AGENCY HEAD**

For the fiscal year ended August 31, 2022

**Agency Head:** Lisa Teer, Executive Director

*No compensation paid from public funds.*

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

Board of Directors  
Louisiana Delta Service Corps  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **LOUISIANA DELTA SERVICE CORPS D/B/A SERVE LOUISIANA (LDSC)** (a non-profit corporation), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LDSC's internal control over financial reporting (internal control) as a basis for designing 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 LDSC's internal control. Accordingly, we do not express an opinion on the effectiveness of LDSC'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether LDSC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

## **LDSC's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on LDSC's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. LDSC'S response on page 18 was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 LDSC'S internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LDSC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

  
Faulk & Winkler, LLC  
Certified Public Accountants

Baton Rouge, Louisiana  
February 24, 2023

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

For the fiscal year ended August 31, 2022

**1) Summary of Auditors' Results:**

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) Significant deficiency in internal control were disclosed by the audit of financial statements: **None.**

Material weaknesses: **2022-001.**

- C) Noncompliance that is material to the financial statements: **None.**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2022-001.**

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

For the fiscal year ended August 31, 2022

**2022-001 Segregation of Duties**

**Condition:** During the course of our audit, we obtained an understanding of LDSC's internal control for purposes of planning and performing our audit. In obtaining our understanding of internal control, we determined there were inadequate segregation of duties involving certain aspects of the financial reporting cycle.

**Criteria:** Segregation of duties is an essential principle of internal controls and is necessary to prevent, or detect and correct, misstatements on a timely basis.

**Cause:** Due to the size of LDSC's administrative staff, certain duties are performed by the same individual, as follows:

- The following responsibilities over cash disbursements are performed by the same individual:
  - Initiate and approve vendor invoices for payment,
  - Write checks or initiating electronic disbursements,
  - Initiate and approve reimbursements to themselves as the agency head,
  - Access to check stock, check signing authority, and approval authorization.
  
- The following responsibilities over cash receipts are performed by the same individual:
  - Receive and open mail,
  - Prepare bank deposits and deposit monies received,
  - Invoices customers for services provided (host sites),
  - Authorize write offs for outstanding receivables.

**Effect:** LDSC does not have sufficient segregation of duties.

**Recommendation:** To the extent possible, we recommend that board members or the contract accountant become involved in the financial reporting process; such examples include, but are not limited to:

- A member of the board, preferably the treasurer, documents their review and approval of monthly financial reports. Such financial reports include:
  - Monthly financial statements (balance sheet, income statement, budget to actuals)
  - Bank statements and reconciliations,
  - Reimbursements (travel, expense, etc.) made to agency head.
  - Credit card activity initiated by the agency head
- The board of directors should approve of any account receivables to be written off,
- The board of directors should adopt an annual budget and monitor on a periodic basis,

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

For the year ended August 31, 2022

**2022-001 Segregation of Duties (Continued)**

**Recommendation (Continued):** We further recommend that management create a comprehensive financial policies and procedures handbook that covers the significant areas of accounting and financial practices. This will ensure that financial policies are conducted consistently and in accordance with the expectations set by management and board governance. Additionally, such policies and procedures provide structure within LDSC in the event of employee turnover or absenteeism.

**Managements Response:** Management agrees with the above recommendations and will begin implementing certain practices mentioned above to the extent economically feasible. Additionally, management will begin drafting a financial policies and procedures handbook to document such recommendations above.

**Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures**

**LOUISIANA DELTA SERVICE CORPS**

Baton Rouge, Louisiana

For the year ended August 31, 2022



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

To the Board of Directors  
Louisiana Delta Service Corps  
Baton Rouge, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal September 1, 2021 through August 31, 2022. Louisiana Delta Service Corps (LDSC)'s management is responsible for those C/C areas identified in the SAUPs.

LDSC has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period September 1, 2022 through August 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and schedule of exceptions 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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 (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

***Board or Finance Committee:***

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- 2. Obtain and inspect the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a. Observe 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. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.
- c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

### ***Bank Reconciliations:***

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

### ***Collections:***

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4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a. Employees that are responsible for cash collections do not share cash drawers/registers.
  - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.



- c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
  7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
    - a. Observe that receipts are sequentially pre-numbered.
    - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
    - c. Trace the deposit slip total to the actual deposit per the bank statement.
    - d. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
    - e. Trace the actual deposit per the bank statement to the general ledger.

***Non-Payroll Disbursements (excluding credit card purchases, travel reimbursements, and petty cash purchases):***

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8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

- b. At least two employees are involved in processing and approving payments to vendors.
  - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

***Credit Cards/Debit Cards/Fuel Cards/P-Cards:***

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b. Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased security.

**Travel and Travel-Related Expense Reimbursement (excluding card transactions):**

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Contracts:**

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
- d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

***Payroll and Personnel:***

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

***Ethics: Not applicable***

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20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:
  - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.

***Debt Service: Not applicable***

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

***Fraud Notice:***

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

***Information Technology Disaster Recovery/Business Continuity:***

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25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
  - a. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

- b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

***Sexual Harassment: Not applicable***

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- 26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
- 27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- 28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 24, and observe it includes the applicable requirements of R.S. 42:344:
  - a. Number and percentage of public servants in the agency who have completed the training requirements;
  - b. Number of sexual harassment complaints received by the agency;
  - c. Number of complaints which resulted in a finding that sexual harassment occurred;
  - d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e. Amount of time it took to resolve each complaint.

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**SCHEDULE OF EXCEPTIONS**

For the year ended August 31, 2022

***Exceptions:***

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No exceptions were found as a result of applying the procedures listed above, except as follows:

***Written Policies and Procedures:***

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**1(a)(b)(c)(d)(e)(f)(g)(h)(i)(k)** – LDSC has no written policy on budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, travel and expense reimbursement, ethics, disaster recover/business continuity, sexual harassment.

***Board or Finance Committee:***

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**2(b)** - We did not observe that the minutes include budget-to-actual comparison and financial statement discussion.

***Bank Reconciliations:***

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**2(b)** – Bank reconciliations did not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks reviewed each bank reconciliation.

***Collections:***

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**3(d)** - For two of the four selected receipts, we did not observe that the deposits were made within one business day of the receipt at the collection location.

***Non-Payroll Disbursements (excluding credit card purchases, travel reimbursements, and petty cash purchases):***

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**9(a)(b)(d)** – Only one employee is involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase, processing and approving payments to vendors, and this employee also signs checks and has the ability to add/modify vendors.

**10(b)** – For all five of the selected disbursements, we did not observe evidence of segregation of duties.

***Credit Cards/Debit Cards/Fuel Cards/P-Cards:***

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**13(3)** – Of the four selected disbursements that related to meals, none included documentation of the individuals participating in meals.

***Travel and Travel-Related Expense Reimbursement (excluding card transactions):***

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**14(b)** – One of the five selected reimbursements was not supported by an original itemized receipt that identifies precisely what was purchased.

**14(c)** – One of the five selected reimbursements was not supported by documentation of the business/public purpose. Additionally, it did not include the names of those individuals participating in the meal.

**14(d)** – Four of the five selected reimbursements were not reviewed or approved, in writing, by someone other than the person receiving the reimbursement.

***Fraud Notice:***

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**24** – We did not observe that LDSC has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

***Management's response:*** Management agrees with the expectations noted above and will update policies for the 2023 fiscal year.

We were engaged by LDSC to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of LDSC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

  
Certified Public Accountants

Baton Rouge, Louisiana  
February 24, 2023