



*Luther Speight & Company*  
*Certified Public Accountants and Consultants*

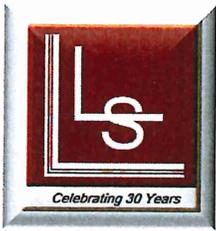
BROTHERHOOD, INCORPORATED  
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Brotherhood, Inc.

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

We have audited the accompanying financial statements of the Brotherhood, Inc. (the Brotherhood) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Continued,

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brotherhood, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 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.

The Schedule of Compensation, Benefits, and Other Payments to the Agency Head on page 23 is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the Brotherhood'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.

Continued,

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brotherhood's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Luther Speight & Co".

Luther Speight & Company CPAs  
New Orleans, Louisiana  
September 27, 2019

**Brotherhood, Incorporated**  
**Statement of Financial Position**  
**December 31, 2018**

**Assets**

Current Assets

Cash	\$ 79,358
Accounts Receivable	104,631
Other Current Assets	<u>2,672</u>
Total Current Assets	<u>186,661</u>

Net Fixed Assets	<u>247,894</u>
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Total Assets	<u><u>\$ 434,555</u></u>
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**Liabilities**

Liabilities

Accounts Payable	32,030
Accrued Payroll	34,174
Payroll Tax Liabilities	90,944
Other Current Liabilities	5,550
Lines of Credit	<u>66,631</u>
Total Liabilities	<u>229,329</u>

**Net Assets**

Without Donor Restrictions	<u>205,226</u>
Total Net Assets	<u>205,226</u>

Total Liabilities and Net Assets	<u><u>\$ 434,555</u></u>
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The accompanying notes are an integral part of the financial statements.

**Brotherhood, Incorporated**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

<b>Public Support and Revenues</b>	Without Donor Restrictions	With Donor Restrictions	Total
Grant Support	\$ -	\$ 1,202,925	\$ 1,202,925
Program Income	50,890	-	50,890
Other Income	6,976	-	6,976
Releases from Restrictions	1,202,925	(1,202,925)	-
<b>Total Public Support and Revenues</b>	<u>1,260,791</u>	<u>-</u>	<u>1,260,791</u>
 <b>Expenses</b>			
Program Services:			
A. HIV/AIDS Housing	320,402	-	320,402
B. OPH HIV/AIDS Prevention	380,998	-	380,998
C. CDC HIV/AIDS Prevention	354,571	-	354,571
D. CDC HIV/AIDS Testing	51,909	-	51,909
E. Advocacy Social Justice	52,056	-	52,056
 Support Services:			
Management and General	122,968	-	122,968
<b>Total Expenses</b>	<u>1,282,904</u>	<u>-</u>	<u>1,282,904</u>
 Change in Net Assets from Operations	 (22,113)	 -	 (22,113)
Net Assets, Beginning of Period	<u>227,339</u>	<u>-</u>	<u>227,339</u>
 Net Assets, End of Period	 <u>\$ 205,226</u>	 <u>\$ -</u>	 <u>\$ 205,226</u>

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

**Brotherhood, Incorporated**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	<u>\$ (22,113)</u>
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Adjustments to reconcile changes in net assets  
to net cash provided in operating activities:

Depreciation	33,298
Increase in Grants Receivable	(104,631)
Decrease in Other Current Assets	5,523
Increase in Accounts Payable	20,164
Increase in Accrued Payroll	34,174
Increase in Payroll Liabilities	64,671
Increase in Other Current Liabilities	700
Net Cash Provided by Operating Activities	<u>31,786</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of Fixed Assets	<u>(11,389)</u>
Net Cash Used By Investing Activities	<u>(11,389)</u>

CASH FLOWS FROM BY FINANCING ACTIVITIES:

Borrowings on Lines of Credit (Net)	<u>27,206</u>
Net Cash Provided By Financing Activities	<u>27,206</u>

Net Increase in Cash and Cash Equivalents	47,603
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Beginning Cash and Cash Equivalents	<u>31,755</u>
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Ending Cash and Cash Equivalents	<u><u>\$ 79,358</u></u>
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The accompanying notes are an integral part of the financial statements.

**Brotherhood, Incorporated**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**

	<b>HIV/AIDS</b>	<b>OPH</b>	<b>CDC</b>	<b>CDC</b>	<b>Advocacy</b>		<b>Management</b>	
	<b>Housing</b>	<b>Prevention</b>	<b>Prevention</b>	<b>Testing</b>	<b>Social</b>	<b>Total</b>	<b>&amp; General</b>	<b>Total</b>
Salaries & Related Expenses	274,162	226,750	199,261	29,588	43,120	772,881	120,376	893,257
Medical Lab Costs	248	51,825	27,111	-	-	79,184	-	79,184
Travel & Training	763	15,918	2,775	17,216	4,009	40,681	1,428	42,109
Rent Expense	-	12,420	19,220	1,838	-	33,478	735	34,213
Insurance	8,682	8,035	4,707	327	109	21,860	10,838	32,698
Utilities & Household	11,720	647	1,942	-	597	14,906	9,815	24,721
Program Incentives	-	5,293	14,935	-	2,150	22,378	170	22,548
Repairs & Maintenance	2,783	1,153	2,112	-	681	6,729	14,202	20,931
Communications	7,290	4,673	6,318	-	-	18,281	184	18,465
Program Supplies	4,068	1,867	3,888	-	-	9,823	5,657	15,480
Professional Fees	9,384	4,104	1,000	-	-	14,488	-	14,488
Indirect Costs	-	37,770	68,019	2,895	-	108,684	(96,568)	12,116
Office Expenses	749	5,129	3,283	-	1,390	10,551	21	10,572
Other Expenses	244	972	-	45	-	1,261	21,905	23,166
Advertising Expense	-	3,533	-	-	-	3,533	254	3,787
Fees, Taxes and Assessments	309	909	-	-	-	1,218	148	1,366
Interest Expense	-	-	-	-	-	-	505	505
Sub-Totals	<u>320,402</u>	<u>380,998</u>	<u>354,571</u>	<u>51,909</u>	<u>52,056</u>	<u>1,159,936</u>	<u>89,670</u>	<u>1,249,606</u>
Depreciation Expense	-	-	-	-	-	-	33,298	33,298
Totals	<u>\$ 320,402</u>	<u>\$ 380,998</u>	<u>\$ 354,571</u>	<u>\$ 51,909</u>	<u>\$ 52,056</u>	<u>\$ 1,159,936</u>	<u>\$ 122,968</u>	<u>\$ 1,282,904</u>

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

**Brotherhood, Incorporated**  
**Notes to the Financial Statements**  
**December 31, 2018**

**NOTE 1 - ORGANIZATION**

Brotherhood, Inc. is a nonprofit, community-based organization that is dedicated to providing housing and healthcare for individuals suffering from Human Immune/Deficiency Virus (HIV)/Acquired Immune Deficiency Syndrome (AIDS) and to provide support services for their families. Brotherhood, Inc. was incorporated on June 7, 1996 pursuant to the provisions of the Louisiana Nonprofit Law, Louisiana R. S. 12:201 – 12:269 (1950 as amended).

Brotherhood, Inc. offers and provides the following programs and services:

- HIV/AIDS Education and Training;
- Risk Reduction Workshops;
- African American Community Leader Training;
- Community Awareness Sessions and Health Fairs;
- Street and Venue Based Outreach;
- Condom Distribution;
- HIV Counseling and Testing;
- Peer Lead Support Groups;
- Referrals and Other Services
- Support housing for people with special needs; and
- Capacity building assistance to other community based organizations.

Programs and services provided by Brotherhood Inc. are funded primarily by grants from the following agencies:

- U. S. Department of Health and Human Services
- Center for Disease Control and Prevention
- U.S. Department of Housing and Urban Development

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Accounting

Brotherhood, Inc. is a non-profit, community-based organization whose financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

**Brotherhood, Incorporated**  
**Notes to the Financial Statements**  
**December 31, 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Reporting

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958, which established standards for external financial reporting by not-for-profit organizations, the Organization classifies resources for accounting and reporting purposes into two net asset categories which are with donor restrictions and without donor restrictions. A description of these two net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Organization are included in this category. The Organization has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Organization and therefore, their policy is to record those net assets as without donor restrictions.
- Net assets with donor restrictions include funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions

At December 31, 2018, Brotherhood, Inc. did not have any net assets with donor restrictions.

Use of 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash in demand deposits and investments purchased with a maturity date of three months or less to be cash equivalents. For the year ended December 31, 2018, the Organization did not have any cash equivalents.

**Brotherhood, Incorporated**  
**Notes to the Financial Statements**  
**December 31, 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Uncollectible Accounts, Grants Receivable, and Promises to Give

The Organization uses the direct charge-off method whereby uncollectible accounts are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The direct charge-off method is used because it does not cause a material departure from GAAP and it approximates the valuation method. For the year ended December 31, 2018, the Organization did not record an allowance for doubtful accounts.

Fixed Assets

Land, furniture, equipment, vehicles, and building and improvements of Brotherhood, Inc. are recorded as assets and are stated at historical cost, if purchased or at fair market value at the date of the gift, if donated. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. Long-lived assets over \$500 are capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives of assets as follows:

Furniture and Equipment	3-7 Years
Vehicles	5 Years
Building and Improvements	10-27.5 Years

Support and Revenues

Revenues received under government grant programs are recognized when earned. For cost-reimbursement grants, the revenue is earned when the related expenditure is incurred. Contributions are considered net assets without donor restrictions unless specifically restricted by the donor.

Concentration of Credit

The Organization maintains cash accounts with one commercial bank. The balances did not exceed the federal insured amount of \$250,000 during the year ended December 31, 2018.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Brotherhood, Incorporated**  
**Notes to the Financial Statements**  
**December 31, 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation. The Organization's Forms 990, *Return of Organization Exempt from Income Tax* are subject to examination by the IRS, generally for three years after they are filed.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards update No. 2016-14, Not-For-Profit Entities (Topic 958) to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendment is effective for fiscal years beginning after December 15, 2017. The Organization has adopted the new ASU, which effects the presentation of the financial statements and the disclosures in the footnotes. Management has implemented the changes and adjusted the presentation in the financial statements and footnotes accordingly.

In June 2018, the FASB issued Accounting Standards Update No. 2018, Not-For-Profit Entities (Topic 958) to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendment is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted, but management has not adopted the new update for the year ended December 31, 2018.

**NOTE 3 – FIXED ASSETS**

A summary of fixed assets is as follows:

Land	\$ 18,000
Furniture and Fixtures	73,018
Building and Improvements	554,934
Equipment	186,813
Vehicles	39,598
Accumulated Depreciation	<u>(624,469)</u>
Net Fixed Assets	<u>\$ 247,894</u>

Depreciation expense for the year then ended December 31, 2018 was \$33,298.

**Brotherhood, Incorporated**  
**Notes to the Financial Statements**  
**December 31, 2018**

**NOTE 4 – ECONOMIC DEPENDENCY**

The primary source of revenue for the Organization is federal grants provided through various funding agencies. The continued success of Brotherhood, Inc. is dependent upon the renewal of contracts from current funding sources as well as obtaining new funding.

**NOTE 5 – GOVERNMENT GRANTS**

Brotherhood, Inc. is the recipient of several federal awards, as disclosed in the schedule of expenditures of federal awards. Included in grant revenue are funds disbursed from several funding sources to provide funds for the implementation of various community programs as well as to support the operations of Brotherhood, Inc.

**NOTE 6 – OPERATING LEASES**

Brotherhood, Inc. executes annual lease agreements for the use of office space in a building located at 2714 Canal Street. Total rent expense for the year ended December 31, 2018 was \$34,213.

The future minimum lease payments are as follows:

<b><u>December 31,</u></b>	<b><u>Amount</u></b>
2019	\$ 35,941
2020	13,721
Total	<u>\$ 49,662</u>

**NOTE 7 – FEDERAL COMPLIANCE CONTINGENCIES**

The Organization is a recipient of several grants and awards of federal funds. These grants and awards are governed by various federal guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants and awards is under the control and administration of Brotherhood, Inc., and is subject to audit and /or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

**Brotherhood, Incorporated**  
**Notes to the Financial Statements**  
**December 31, 2018**

**NOTE 8 – LINES OF CREDIT**

The Organization has two lines of credit with separate financial institutions. At December 31, 2018, the two lines of credits have interest rates of 7.5% and 6.7%, respectively. At December 31, 2018, these lines of credits have outstanding balances of \$37,459 and \$29,172, respectively, for a total outstanding balance of \$66,631.

**NOTE 9 – PENSION PLAN**

The Organization has a 403(b) Pension Plan. Employees, who have successfully completed their 90 day probationary period are qualified to join the plan. The Organization does not contribute any money to the plan.

**NOTE 10 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 27, 2019, the date the financial statements were available to be issued.

As noted in Finding #2018-02, the Organization has been delinquent in paying state and federal payroll taxes. On January 30, 2019, the Organization paid \$40,205 to the Internal Revenue Service for federal payroll taxes owed at year-end. During April and May of 2019, the Organization also made various payments totaling approximately \$105,252 to the Louisiana Department of Revenue for their outstanding state payroll taxes.

On March 7, 2019, the Organization sold a building located on 723 Jackson Avenue in New Orleans at a sales price of \$270,000. Total net cash received by the Organization was \$235,332. This transaction was initiated to cover cash shortfalls due to paying off delinquent payroll taxes payable.

Other than what is mentioned above, no other subsequent events required disclosure.

**Brotherhood, Incorporated**  
**Schedule of Expenditures of Federal Awards**  
**December 31, 2018**

<u>Federal Grantor</u>	<u>Pass-through Grantor</u>	<u>CFDA Number</u>	<u>Program Title</u>	<u>Project/Pass-through Identifying Number</u>	<u>Award Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
City of New Orleans:					
	14.241		Housing Opportunities for Persons With AIDS	HOPWA-026B	311,496
 <u>CENTER FOR DISEASE CONTROL AND PREVENTION</u>					
New York University School of Medicine:					
	93.941		Impact of Neighborhoods and Networks on HIV Prevention and Care Behaviors Among Black MSM in the Deep South	106119	\$ 49,171
 <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Direct Grant:					
	93.939		Comprehensive High Impact HIV Prevention Projects for Community Based Organizations	5NU65PS004804-03-00	329,627
 State of Louisiana:					
	93.940		Pre-Exposure Prophylaxis (PREP) and Peer Navigational Services	2000170068	203,929
	93.940		4th Gen. Lab Based HIV Testing & Expanded STI Screening	2000168153	169,654
<b>TOTAL FEDERAL EXPENDITURES</b>					<u><u>\$ 1,063,877</u></u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Brotherhood, Incorporated**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of Brotherhood, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



*Luther Speight & Company*  
*Certified Public Accountants and Consultants*

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

To the Board of Trustees of  
The Brotherhood, Inc.  
New Orleans, Louisiana

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 the Brotherhood, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2019.

**Internal Control Over Financial Reporting**

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

**Continued,**

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-02, that we consider to be material weaknesses

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ABC Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2018-01.

**The Brotherhood's Response to Findings**

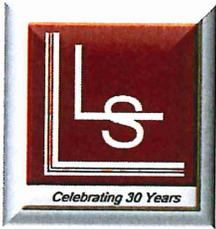
The Brotherhood's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Brotherhood's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.



Luther Speight & Company CPAs  
New Orleans, Louisiana  
September 27, 2019



*Luther Speight & Company*  
*Certified Public Accountants and Consultants*

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

To the Board of Trustees of  
The Brotherhood, Inc.  
New Orleans, Louisiana

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

We have audited the Brotherhood Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Brotherhood's major federal program for the year ended December 31, 2018. The Brotherhood's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Brotherhood's major federal program 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 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 the Brotherhood'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 the Brotherhood's compliance.

**Continued,**

***Opinion on Each Major Federal Program***

In our opinion, the Brotherhood complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

**Report on Internal Control Over Compliance**

Management of the Brotherhood 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 the Brotherhood's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Brotherhood'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 purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Luther Speight & Company CPAs  
New Orleans, Louisiana  
September 27, 2019

**Brotherhood, Incorporated**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2018**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

An unqualified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified?                      X   yes           no  
Significant deficiencies identified  
not considered to be material weaknesses?           yes           no

Noncompliance material to financial statements noted?      X   yes           no

**Federal Awards**

Internal control over major programs:

Material weaknesses identified?                           yes      X   no  
Significant deficiencies identified  
not considered to be material weaknesses?           yes      X   no

An unqualified opinion was issued on compliance.

Other matters or instances on  
noncompliance required to be reported  
in accordance with the Uniform Guidance?           yes      X   no

The major programs for the year ended December 31, 2018 were as follows:

1. Housing Opportunities for Persons with AIDS – 14.241

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

Auditee qualified as a low-risk auditee.

**Brotherhood, Incorporated**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2018**

FINDING NO. 2018-01: AUDIT REPORT NOT SUBMITTED TIMELY

CRITERIA:

Louisiana Revised Statute 24:513 requires that Agencies receiving federal, state, or local government funding from the State of Louisiana submit an independent financial statement engagement to the Louisiana Legislative Auditor's office within six months from their fiscal year end.

CONDITION:

The Organization did not complete and submit its independent audit report within the six months after the close of their fiscal year. However, we noted the Organization was granted a non-emergency deadline extension.

CAUSE:

A key member of the Organization's accounting function was granted a leave of absence and was unable to provide financial information in a timely manner for the audit to be completed by the required deadline.

EFFECT:

The independent audit report was not submitted to the Louisiana Legislative Auditor's office before the required deadline.

RECOMMENDATION:

We recommend the Organization implement procedures that include preparation of accurate and reconciled financial statements and to include timely engagement of their independent auditor to assure submission of the audit report to the Louisiana Legislative Auditor within six months of the Organization's year-end.

MANAGEMENT RESPONSE:

The Organization's accounting function is again at full staffing. We do not anticipate further occurrences that would impact the timely submission of the audit in the future.

**Brotherhood, Incorporated**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2018**

FINDING NO. 2018-02: DELINQUENT PAYROLL TAXES

CRITERIA:

The Internal Revenue Service (IRS) requires nonprofit organizations to withhold federal and state taxes from payroll and to remit those taxes in a timely manner.

CONDITION:

The Organization was delinquent in paying its payroll taxes. For the year ended December, 31, 2018, the Organization owed \$40,401 in federal payroll taxes and \$78,226 in State Payroll Taxes.

CAUSE:

The Organization experienced cash shortfalls during the year and was unable to remit all of the required payroll taxes during the fiscal year.

EFFECT:

The Organization has a significant payroll tax payable balance outstanding for the year ended December 31, 2018.

RECOMMENDATION:

We recommend the Organization implement procedures to ensure that payroll taxes are remitted on a timely basis.

MANAGEMENT RESPONSE:

The Organization has taken internal steps to assure timely remittance of payroll taxes in the future.

**Brotherhood, Incorporated**  
**Schedule of Prior Year Findings**  
**For the Year Ended December 31, 2018**

<u>Finding #</u>	<u>Description</u>	<u>Resolved/Unresolved</u>
2017-01	Maintaining Fixed Asset Subsidiary Ledger	Resolved

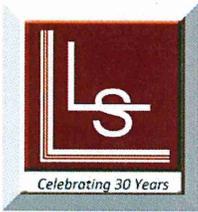
**Brotherhood, Incorporated**

**Schedule of Compensation, Benefits, and Other Payments  
To Agency Head or Chief Executive Officer  
For the Year Ended December 31, 2018**

**Agency Head Name: Mark Johnson, Executive Director**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 73,539
Benefits-FICA	5,546
Benefits-insurance	-
Benefits-retirement	-
Benefits-executive parking	-
Car allowance	-
vehicle provided by government	-
Per diem	-
Reimbursements	22
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

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



*Luther Speight & Company*  
*Certified Public Accountants and Consultants*

**BROTHERHOOD, INCORPORATED**

**AGREED UPON PROCEDURES REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2018**



*Luther Speight & Company*  
*Certified Public Accountants and Consultants*

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

To the Board of Directors of Brotherhood Inc.  
And the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Brotherhood, Inc. (the Brotherhood) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Brotherhood's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, 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 findings are as follows:

### ***Written Policies and Procedures***

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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:

2.

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

**Observation:** Brotherhood, Inc.'s Accounting Policies and Procedures address preparing, adopting, monitoring and amending the organization's 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.

**Observation:** Brotherhood, Inc.'s Accounting & Fiscal Policies and Procedures address how purchases are initiated; however, the entity is not applying the organization's purchasing policy and procedures as prescribed. Brotherhood, Inc.'s Accounting & Fiscal Policy and Procedures do not address how vendors are added to the vendor list. Brotherhood, Inc. has a preparation and approval process for purchase requisitions and purchase orders; however, they are not implementing the preparation and approval process for purchase requisitions and purchase orders.

**Client Response:** *We will implement and apply our fiscal policies and procedures accordingly; also, we will review all of our fiscal policies and revised them to meet the State and City's best accounting practices. We will obtain board approval once any revisions are recommended.*

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

**Observation:** Brotherhood, Inc.'s Accounting and Fiscal Policies and Procedures address 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 to traffic tickets number sequences, agency fund forfeiture monies confirmation).

**Observation:** Brotherhood, Inc.'s Accounting and Fiscal Policies and Procedures address 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.

**Observation:** Brotherhood, Inc. Payroll Policies and Procedures addresses payroll processing, reviewing and approving of 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.

**Observation:** Brotherhood, Inc.'s Accounting and Fiscal Policies and Procedures address (1) the types of services requiring written contracts, (2) the standard terms and conditions, (3) the legal review, (4) the approval process, and (5) the monitoring process.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

**Observation:** Brotherhood, Inc.'s Accounting and Fiscal Policies and Procedures does not address how cards are to be controlled, the allowable business uses of cards, the documentation requirements, the required approvers of statements, nor the monitoring of card usage.

*Client Response:* The agency will update the fiscal policy to include the usage and handling of credit cards (and debit cards and fuel cards).

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

**Observation:** Brotherhood, Inc.'s Accounting and Fiscal Policies and Procedures address (1) allowable travel and expense reimbursements, (2) dollar thresholds by category of expense (e.g., meals, lodging and incidental expenses), (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.

**Observation:** Ethics requirements are not applicable to nonprofits.

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

**Observation:** Debt service requirements are not applicable to nonprofits.

- k) **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.

**Observation:** Brotherhood, Inc.'s has adopted a policy that addresses Information Technology, however, the policy does not include the identification of critical data and frequency of backups, the storage of backups in a separate physical location isolated from the network, the periodic testing/verification that backups can be restored, the use of antivirus software on all systems, nor the identification of personnel, processes, and tools needed to recover operations after a critical event.

*Client Response:* The agency will update the written policy to include disaster recovery/business continuity in the event of unforeseen disaster or event.

### ***Board or Finance Committee***

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2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

**Observation:** The Board met on January 13, 2018, May 19, 2018, June 9, 2018, August 18, 2018, and November 17, 2018.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

**Observation:** The minutes do not reference or include financial statements or references to public funds other than budgets. The January 13, 2018 meeting included adopting the agency's calendar year budget.

**Client Response:** *We reviewed and discussed the agency's budget to actual spending; however, it was not detailed on our board minutes. In the future, we will ensure all discussions regarding finances, as well as financial statements are included in the board minutes.*

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

**Observation:** The Organization is a nonprofit entity.

### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly

select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

**Observation:** There is no evidence on the bank reconciliations to indicate they were prepared within 2 months of the related statement closing dates.

*Client Response:* We will ensure all future bank statements and reconciliations will be initialed after they are reconciled by the Fiscal Director.

- 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

**Observation:** There is no evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks reviewed the bank reconciliations.

*Client Response:* We will ensure all future bank statements and reconciliations will be initialed after they are reviewed by the Executive Director.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Observation:** No items were noted as outstanding for more than 12 months from the statement closing dates.

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

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- 4. 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).

**Observation:** The main office at 1422 Kerlerec Street is the only location that processes payments.

- 5. 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.

**Observation:** Requests are initiated by employees/staff persons and must contain supporting documentation. Approvals are made by either the Program Manager or the Executive Director, and the Director of Fiscal Operations processes the request.

- b) At least two employees are involved in processing and approving payments to vendors.

**Observation:** The Director of Fiscal Operations processes the payment after receiving approval from the Executive Director.

- 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.

**Observation:** The Director of Fiscal Operations has the capability to add/modify the vendor files, however, the Executive Director is responsible for periodically reviewing changes to the 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. [Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.)]

**Observation:** The Director of Finance processes the payments and the Executive Director approves and mails the checks.

- 6. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

**Observation:** No exceptions were noted; the disbursements matched the original invoices/billing statements.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**Observation:** Disbursement documentation includes evidence of segregation of duties.

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

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7. 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.

**Observation:** A listing of all active cards were obtained from management.

8. 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 (or electronically approved), 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.)]

**Observation:** No evidence was observed showing that the statements were reviewed or approved.

*Client Response:* To be in compliance, we will update and ensure compliance of completeness and approval process for credit card usage are implemented by all staff. At any given time the Executive Director will need to utilize any credit cards, he will need to get prior approval of usage from the Board Treasurer and upon return he will need to submit in receipts for review and initialed.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

**Observation:** Finance charges were observed on one of the statements.

*Client Response:* The agency will work diligently to ensure that all future payments are made in a timely manner to negate receiving any late fees or finance charges.

9. 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 scrutiny.

**Observation:** No exceptions were noted. Each transaction was supported by the appropriate documentation.

#### *Travel and Travel-Related Expense Reimbursements (excluding card transactions)*

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10. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

**Observation:** The entity uses the reimbursement rate established by the U.S. General Services Administration. While the rate per the USGSA for 2018 was .545, the entity’s mileage reimbursement form for 2018 documents .535.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

**Observation:** Reimbursements using actual costs were supported by the original itemized receipts.

- 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).

**Observation:** Each reimbursement was supported by documentation detailing the business/public purpose for the charge.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Observation:** Each reimbursement was reviewed and approved in writing by someone other than the person receiving the reimbursement.

### ***Payroll and Personnel***

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- 11. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

**Observation:** Obtained the listing of employees employed during the fiscal period and management's representation that the listing is complete.

- 12. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

**Observation:** Daily attendance and leave was properly documented.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

**Observation:** Attendance and leave was approved by a supervisor.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

**Observation:** Both accrued and leave taken are reflected in the entity's cumulative records.

- 13. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in

management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

**Observation:** No exceptions were noted, the termination payments coincided with the related records and documentation.

14. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

**Observation:** Only state payroll taxes were observed as not being paid by the required deadlines.

**Client Response:** *The entity will ensure that all future required payments are made, and associated forms are filed by the required deadlines.*

#### **Other**

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15. 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.

**Observation:** Per discussions with management, the organization had no misappropriations of public funds or assets.

16. 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.

**Observation:** The organization did not have the notice posted on its premises and website.

**Client Response:** *We will download and print the notice required by R.S. 24:523.1 via online and post it at our office locations and update our website accordingly to ensure compliance.*

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 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.

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

A handwritten signature in blue ink, appearing to read "Luther Speight & Co". The signature is fluid and cursive, with a large initial "L" and "S".

Luther Speight & Company CPAs  
New Orleans, Louisiana  
September 27, 2019