

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.

AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

October 31, 2017

To the Board of Directors
New Orleans Military and Maritime Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of New Orleans Military and Maritime Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements which collectively comprise the New Orleans Military and Maritime Academy Inc.'s basic financial statements as listed in the table of contents.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Military and Maritime Academy, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise New Orleans Military and Maritime Academy Inc.'s basic financial statements. The accompanying schedule of compensation, benefits and other payments to the agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic 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 October 31, 2017 on our consideration of New Orleans Military and Maritime Academy Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Orleans Military and Maritime Academy Inc.'s internal control over financial reporting and compliance.

Hienz & Macaluso, LLC

Metairie, LA

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Current Assets:

Unrestricted cash and cash equivalents	\$	2,228,525
Restricted cash		89,321
Grants receivable		93,541
Developer fees receivable-current portion		176,992
Prepaid expenses		48,984
Total current assets		2,637,363

Noncurrent Assets:

Investment in subsidiary		2,228,773
Developer fees receivable less current portion		309,741
Deposits		65,000
Note receivable		13,158,965
Other receivable		12,149
Bond issuance costs		426,481
Due from related parties		28,347
Property and equipment, net		391,518
Total noncurrent assets		16,620,974
Total assets	\$	19,258,337

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	81,681
Notes payable current maturity		36,124
Accrued salaries and benefits		194,897
Total current liabilities		312,702

Noncurrent Liabilities:

Bonds payable		11,000,000
Notes payable less current maturity		2,076,810
Total noncurrent liabilities		13,076,810
Total liabilities		13,389,512

Net assets:

Unrestricted net assets		5,868,825
Temporarily restricted net assets		-
Total net assets		5,868,825
Total liabilities and net assets	\$	19,258,337

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
State public school funding	\$ 7,347,862	\$ -	\$ -	\$ 7,347,862
Interest income	606,971	-	-	606,971
Federal funding	605,917	-	-	605,917
Grants	-	400,461	-	400,461
Contributions and donations	150,481	40,000	-	190,481
Other income	349,523	-	-	349,523
Net assets released from restrictions	465,461	(465,461)	-	-
Total Revenues	<u>9,526,215</u>	<u>(25,000)</u>	<u>-</u>	<u>9,501,215</u>
Expenses				
Instructional Services:				
Regular programs	3,888,895	-	-	3,888,895
School administration	723,495	-	-	723,495
Pupil support services	153,000	-	-	153,000
Other instructional programs	1,116,836	-	-	1,116,836
Special education programs	178,202	-	-	178,202
Instructional staff services	24,449	-	-	24,449
Student transportation services	600,808	-	-	600,808
Food services	380,922	-	-	380,922
Total Instructional Services	<u>7,066,607</u>	<u>-</u>	<u>-</u>	<u>7,066,607</u>
Support Services:				
Debt service	590,268	-	-	590,268
Operation and maintenance of plant service	713,406	-	-	713,406
Facility acquisition and construction	47,300	-	-	47,300
Business services	201,441	-	-	201,441
Other services	24,974	-	-	24,974
Central services	31,258	-	-	31,258
Enterprise operations	2,605	-	-	2,605
General administration	7,181	-	-	7,181
Total Support Services	<u>1,618,433</u>	<u>-</u>	<u>-</u>	<u>1,618,433</u>
Total Expenses	<u>8,685,040</u>	<u>-</u>	<u>-</u>	<u>8,685,040</u>
Change in net assets	841,175	(25,000)	-	816,175
Net assets, beginning of period	<u>5,027,650</u>	<u>25,000</u>	<u>-</u>	<u>5,052,650</u>
Net assets, end of period	<u>\$ 5,868,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,868,825</u>

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Change in net assets	\$ 816,175
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	122,024
Increase in grants receivable	(63,555)
Decrease in prepaid expenses	1,994
Decrease in developer fees receivable	176,993
Decrease in accounts payable	(38,580)
Increase in accrued salaries and benefits	116,475
Net cash provided by operating activities	<u>1,131,526</u>
Cash Flows from Investing Activities:	
Investment in subsidiary	(6,268)
Purchases of property and equipment	(225,145)
Net cash (used) by investing activities	<u>(231,413)</u>
Cash Flows from Financing Activities:	
Payments on notes payable	(31,160)
Net cash (used) by financing activities	<u>(31,160)</u>
Net increase in cash and cash equivalents	868,953
Cash and cash equivalents, beginning of period	<u>1,448,893</u>
Cash and cash equivalents, end of period	<u>\$ 2,317,846</u>
 <i>Reconciliation to Statement of Financial Position</i>	
Unrestricted cash and cash equivalents	\$ 2,228,525
Restricted cash	89,321
Cash and cash equivalents per Statement of Cash Flows	<u>\$ 2,317,846</u>
 Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	<u>\$ 514,329</u>

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – Summary of Significant Accounting Policies:

New Orleans Military and Maritime Academy, Inc. (the School) was created as a non-profit organization under the laws of the State of Louisiana. The School applied to the Louisiana Board of Elementary and Secondary Education (BESE) to operate a Type 2 charter school. On May 20, 2011, BESE approved the charter. The School serves eligible students in ninth through twelfth grade. On July 1, 2016, the School's charter was approved for an additional ten years ending on June 30, 2026.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets – limited only by the broad limits resulting from the nature of the organization, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors and others entered into by the organization in the course of its business.

Temporarily Restricted Net Assets – assets whose restrictions lapse with the passage of time and/or purpose.

Permanently Restricted Net Assets – assets whose restrictions do not lapse with the passage of time.

Presently, the School has no permanently restricted net assets.

Use of Estimates

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

Revenues

The School's primary sources of funding are through the state public school funding and federal grants, as well as private donations. Federal grants are recorded on a cost reimbursement basis. An accrual is made at the time that the request for reimbursement is submitted.

Grants, Developer Fees and Other Receivables

All receivables are reported at their net realizable value. All receivables are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – Summary of Significant Accounting Policies: (continued)

Property and Equipment

Property and equipment with a value equal to or greater than \$5,000 is capitalized at cost or estimated fair value if donated. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School.

Income Taxes

The School is operating under Section 501(c) (3) of the Internal Revenue Code, and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School has considered all restricted and unrestricted cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

Bond Issuance Costs

Bond issuance costs associated with the Qualified School Construction Bonds and Qualified Zone Academy Bonds issued by the Louisiana Community Development Authority have been accounted for as a deferred charge (an asset) and are amortized over the life of the bonds.

Note Receivable

Note receivable is reported at its outstanding principal balance. Note receivable is considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. Interest income is recognized when earned.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the School, which is in substance, unconditional. Contributions that are restricted by the donor are reported in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The School uses the allowance method to determine uncollectible promises to give.

Paid Time Off

The principal and commandant are eligible to earn paid time off in addition to school holidays and break periods. Paid time off begins to accrue on the first day an employee works for the school. Unused paid time off is rolled over to the following year. At June 30, 2017, the School's liability for paid time off was \$0.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – Cash and Cash Equivalents:

At June 30, 2017, cash consists of demand deposits in a local bank of \$2,317,846.

At June 30, 2017, cash in the amount of \$89,321 is restricted for the loan associated with the construction of the school's permanent campus.

The School maintains cash balances at a local bank. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, these accounts may exceed the federally insured limits.

NOTE 3 – Concentrations:

For the year ended June 30, 2017, the School received approximately 88% of its total revenues from Federal and State sources.

NOTE 4 – Contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time, although the School expects any such amounts to be immaterial.

NOTE 5 – Retirement Plan:

Effective January 1, 2012, the School executed a Multiple Employer Participation Agreement, electing to become a participating employer in a multiple employer 401(k) plan for all regular employees who are 21 years of age or older. An employee becomes eligible to participate in the plan upon completing one (1) month of service. Contributions to the plan are made by way of pre-tax salary deferrals and are made at the sole discretion of the employee up to the maximum amount allowed by federal law. The School will make a matching contribution equal to 50% of participants' elective deferrals, but not to exceed 6% of participant compensation.

All employees are immediately vested in their contributions. There is a 3-year vesting period for employer profit-sharing contributions. For the year ended June 30, 2017, the School recorded retirement contributions in the amount of \$66,977.

NOTE 6 – Expense Allocation:

The costs of providing various programs and other 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.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – Board Members’ Compensation:

Board members are not compensated for their service; therefore, a schedule of board members’ compensation is not presented.

NOTE 8 – Temporarily Restricted Net Assets:

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified and /or time restriction by donors as follows:

Band expenses	\$ 25,000
Student maritime certifications	40,000
United States Marine Corps: ROTC instructor salaries	<u>\$400,461</u>
Total restrictions released	<u>\$465,461</u>

NOTE 9 – Uncertain Income Taxes:

The School adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities. The School’s 2014-2016 information returns have been filed appropriately. The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School’s tax filings are subject to audit by various taxing authorities. The School’s open audit periods are 2014-2016.

Management has evaluated the School’s tax position and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

NOTE 10 – Note Receivable:

Effective October 31, 2012, and restated on May 15, 2013, the School entered into a loan agreement with DV-NOMMA QEI, LLC (the Borrower), in the amount of \$13,158,965, in order for the Borrower to invest in SECDE SUB III, LLC and DV CDE VII, LLC (the CDEs) for the purpose of financing the construction of the charter school campus located at 425 O’Bannon Street New Orleans, Louisiana on the Federal City Campus. As per the terms of the agreement the note bears interest at a fixed rate equal to 1.331355% on the unpaid principal, and calculated on a quarterly basis. Interest only will be payable quarterly commencing on December 25, 2012 through October 25, 2019. Effective December 25, 2019, the Borrower will make principal and interest payments through October 30, 2034 (the Maturity Date). The Borrower’s obligation under the loan agreement is secured by a security and pledge agreement pertaining to the Borrower’s interest in the CDEs. For the year ending June 30, 2017, interest income on the note receivable was \$175,362.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11– Property and Equipment:

Property and equipment consists of the following:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Improvements	\$ 23,426	\$ 34,981	\$ -	\$ 58,407
Machinery and equipment	179,955	29,633	-	209,588
Construction in progress	155,625	160,531	-	316,156
Less: accumulated depreciation	<u>(146,548)</u>	<u>(46,085)</u>	<u>-</u>	<u>(192,633)</u>
	<u>\$ 212,458</u>	<u>\$179,060</u>	<u>\$ -</u>	<u>\$ 391,518</u>

For the year ended June 30, 2017, depreciation expense was \$46,085. Depreciation is calculated using the straight line method with useful lives of 3 to 15 years.

All assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were acquired. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, any assets purchased with those funds will revert back to the State of Louisiana.

NOTE 12 – Notes Payable:

On December 19, 2013, the School entered into a loan agreement with NOMMA Master Tenant, LLC, in the amount of \$1,471,557 for the purpose of financing the construction of the charter school campus located at 425 O’Bannon Street New Orleans, Louisiana on the Federal City Campus. Commencing on March 31, 2014 and continuing on the 30th day of each quarter thru March 30, 2024, NOMMA will pay interest only on the principal balance at a rate of 1% per annum. Commencing on June 30, 2024, NOMMA will pay principal and interest quarterly thru the maturity date of March 30, 2041. The School’s obligation under the loan agreement is secured by the School’s general intangibles. For the year ending June 30, 2017, interest expense on the note payable was \$14,736.

On April 23, 2015, the School obtained a fixed rate revolving line of credit (the loan) in the amount of \$700,000 at 4.75% maturing April 23, 2021. Effective May 23, 2015, the loan converted to a term note with 59 monthly payments of \$5,471 and a final payment of \$525,421 on April 23, 2021. At June 30, 2017, the balance on the loan is \$641,377. The loan is unsecured. For the year ended June 30, 2017, interest expense on the loan was \$34,488.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – Notes Payable: (continued)

Future minimum payments on the notes payable are as follows:

<u>Year Ended</u> <u>June 30th</u>	<u>Amount</u>
2018	\$ 36,124
2019	37,879
2020	41,953
2021	525,421
2022	-
Thereafter	<u>1,471,557</u>
Total	<u>\$ 2,112,934</u>

NOTE 13 – Bonds Payable:

The Louisiana Local Government Environmental Facilities and Community Development Authority (“LCDA”) issued \$3,000,000 of its Revenue Bonds as Qualified Construction Bonds (Series 2012A Bonds) and \$8,000,000 of its Revenue Bonds as Qualified Zone Academy Bonds (Series 2012B Bonds) upon the request of New Orleans Military and Maritime Academy with the proceeds of the sale to be loaned to the School for the purpose of financing the construction of the charter school campus located at 425 O’Bannon Street New Orleans, Louisiana on the Federal City Campus.

Under the terms of the loan and assignment agreement between LCDA and the School, the loan was effective upon the closing of the Bonds and shall terminate on the date on which the Bonds have been paid. The School is responsible for making all interest and principal payments to the trustee as per the bond schedule, with a maturity date of October 31, 2034. The interest rate is 4.21% plus a supplemental coupon during construction at 2.93%.

On October 31, 2012, Whitney Bank as bond trustee transferred the proceeds to the School. The proceeds, as well as \$3,600,000 of loan proceeds obtained from the New Orleans Federal Alliance (the NOFA loan) were used to invest in the DV-NOMMA QEI, LLC for the purpose of financing the construction of the charter school campus located at 425 O’Bannon Street New Orleans, Louisiana on the Federal City Campus. At June 30, 2015, the NOFA loan had been completely paid off.

For the year ended June 30, 2017, interest expense on the bonds was \$463,100.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 – Bonds Payable: (continued)

A summary of changes in long-term liabilities follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	<u>Amounts due within one year</u>
Bonds Payable	\$ 11,000,000	\$ -	\$ -	\$ 11,000,000	\$ -
	<u>\$ 11,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,000,000</u>	<u>\$ -</u>

Estimated scheduled debt service payments, including interest, on the 2012A and 2012B Bonds are as follows:

<u>Year ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 463,100	\$ 463,100
2019	-	463,100	463,100
2020	-	463,100	463,100
2021	-	463,100	463,100
2022	-	463,100	463,100
2023-2027	-	2,315,500	2,315,500
2028-2032	-	2,315,500	2,315,500
2033-2035	11,000,000	1,080,567	12,080,567
	<u>\$11,000,000</u>	<u>\$8,027,067</u>	<u>\$19,027,067</u>

NOTE 14 – Lease Agreement:

The School entered into a lease agreement effective October 31, 2012 with NOMMA Real Estate, LLC. The lease term commenced on January 1, 2014 and ends on December 31, 2031 with an option to extend for four additional five (5) year terms. Payments under the lease are \$89,501 quarterly for the first year, beginning on March 10, 2014. Each calendar year the yearly payments increase as indicated in the future minimum payment schedule. For the year ended June 30, 2017, lease expense was \$391,512.

Estimated future minimum payments under this lease are as follows:

<u>Fiscal Year End</u>	<u>Lease Commitment</u>
June 30, 2018	\$ 383,780
June 30, 2019	391,234
June 30, 2020	724,036
June 30, 2021	847,556
June 30, 2022	864,506
June 30, 2023-Thereafter	9,123,299
Total	<u>\$ 12,334,411</u>

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 – Related Party Transactions:

NOMMA Investment, Inc. (a corporation) is a subsidiary of the School. At June 30, 2017, NOMMA Investment, Inc. owns 80% of NOMMA Real Estate, LLC. The School, NOMMA Investment, Inc. and NOMMA Real Estate, LLC, share the same governing body. The following transactions occurred between the School and the related entities:

The School has a lease agreement with NOMMA Real Estate, LLC. See NOTE 14 for further detail.

For the year ended June 30, 2017, the School made \$6,268 in capital contributions to NOMMA Investment, Inc. At June 30, 2017, the School has \$2,228,773 invested in NOMMA Investment, Inc.

At June 30, 2017, NOMMA Real Estate, LLC. owes the School \$486,733 and \$28,347 in developer fees and other receivables, respectively.

The transactions with NOMMA Investments, Inc. and NOMMA Real Estate, LLC, respectively were entered into for the purpose of financing the construction of the charter school campus located at 425 O'Bannon Street New Orleans, Louisiana on the Federal City Campus.

Management has not consolidated the financial statements of NOMMA Investment, Inc. and NOMMA Real Estate, LLC as a result of the determination that the School does not exercise control over these subsidiaries as required by the *Consolidation* topic of the FASB ASC.

NOTE 16 – Subsequent Events:

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 31, 2017.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE AGENCY HEAD
JUNE 30, 2017

Agency Head Name: Colonel Christopher Schlafer, USMC (Retired)

Purpose:	
Salary	<u>\$148,800</u>
Total	<u>\$148,800</u>



**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***

October 31, 2017

To the Board of Directors
New Orleans Military and Maritime Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Orleans Military and Maritime Academy, Inc. (the School) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the New Orleans Military and Maritime Academy Inc.’s basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Orleans Military and Maritime Academy Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Orleans Military and Maritime Academy Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

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

Compliance and Other Matters

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

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.

This report is intended solely for the information and use of the Board of Directors, the School's management, federal awarding agencies and pass-through entities and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Hienz & Macaluso, LLC

Metairie, LA

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no findings as of June 30, 2017.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2017.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SUMMARY SCHEDULE OF PRIOR PERIOD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no findings as of June 30, 2016.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2016.



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 31, 2017

To the Board of Directors
New Orleans Military and Maritime Academy, Inc.

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of New Orleans Military and Maritime Academy, Inc. (the School) and the Legislative Auditor, State of Louisiana, solely to assist the specified users in evaluating management's assertions about the accompanying performance and statistical data and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). Management of the School is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

PROCEDURES AND FINDINGS

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

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

We reviewed the supporting documentation for the selected transactions and determined that they were classified correctly and reported in the proper amounts on the appropriate schedule.

Education Levels of Public School Staff (Schedule 2)

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

Finding: None

3. We reconciled the combined total of principals and assistant principals per the schedule “Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers” (Schedule 4) to the combined total of principals and assistant principals per this schedule.

Finding: None

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

Finding: None

Number and Type of Public Schools (Schedule 3)

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

Finding: None

Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers (Schedule 4)

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

Finding: None

Public School Staff Data: Average Salaries (Schedule 5)

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

Finding: None

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

Finding: None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Finding: None

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the School.

The School does not have any students who are required to take the LEAP examination; therefore, this procedure is not applicable.

Graduation Exit Examination (GEE) (Schedule 8)

11. The Graduation Exit Examination (GEE) is no longer administered; therefore, this procedure is no longer applicable.

iLEAP Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the School.

The School does not have any students who are required to take the iLEAP examination; therefore, this procedure is not applicable.

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

This report is intended solely for the use of the Board of Directors and management of New Orleans Military and Maritime Academy, Inc., the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC

Metairie, LA

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
New Orleans, Louisiana

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

Certain Local Revenue Sources

Local Taxation Revenue:

Advalorem Taxes

Constitutional Ad Valorem Taxes	\$	-
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-
Result of Court Ordered Settlement (Ad Valorem)		-
Penalties/Interest on Ad Valorem Taxes		-
Taxes Collected Due to Tax Incremental Financing (TIF)(Ad Valorem)		-

Sales Taxes

Sales and Use Taxes - Gross		-
Sales/Use Taxes - Court Settlement		-
Penalties/Interest on Sales/Use Taxes		-
Sales/Use Taxes Collected Due to TIF		-
Total Local Taxation Revenue	\$	-

Local Earnings on Investment in Real Property:

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

State Revenue in Lieu of Taxes:

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

Nonpublic Textbook Revenue	\$	-
Nonpublic Transportation Revenue	\$	-

See independent accountant's report on applying agreed-upon procedures.

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

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree			3	11%				
Bachelor's Degree	5	22%	17	61%				
Master's Degree	14	61%	7	25%				
Master's Degree + 30	4	17%						
Specialist in Education								
Ph. D. or Ed. D.			1	4%	1	100%		
Total	23	100%	28	100%	1	100%	0	0%

See independent accountant's report on applying agreed upon procedures.

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

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

See independent accountant's report on applying agreed upon procedures.

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

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals								
Principals							1	1
Classroom Teachers	15	9	9	4	6	1	7	51
Total	15	9	9	4	6	1	8	52

See independent accountant's report on applying agreed upon procedures.

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

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers Salary Including Extra Compensation	\$52,376	\$48,547
Average Classroom Teachers Salary Excluding Extra Compensation	\$52,376	\$48,547
Number of Teacher Full-Time Equivalents (FTES) used in Computation of Average Salaries	65	63

See independent accountant's report on applying agreed upon procedures.

Class Size Characteristics

As of October 1, 2016

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High	44%	130	50%	149	6%	18		
High Activity Classes	78%	21	15%	4	7%	2		
Combination								
Combination Activity Classes								

See independent accountant's report on applying agreed upon procedures.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
New Orleans, Louisiana

Schedule 7

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

The School does not have any students who are required to take the LEAP examination; therefore, this schedule is not applicable

See independent accountant's report on applying agreed upon procedures.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
New Orleans, Louisiana

Schedule 8

Graduation Exit Examination
For the Year Ended June 30, 2017

The Graduation Exit Examination (GEE) is no longer administered; therefore, this schedule is no longer applicable.

See independent accountant's report on applying agreed upon procedures.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
New Orleans, Louisiana

Schedule 9

iLEAP Tests
For the Year Ended June 30, 2017

The School does not have any students who are required to take the iLEAP examination; therefore, this schedule is not applicable.

See independent accountant's report on applying agreed upon procedures.



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

October 31, 2017

To the Board of Governance of New Orleans Military and Maritime Academy
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by New Orleans Military and Maritime Academy (Entity) 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 July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. Note: Debt Service requirements are not applicable to nonprofits.

We obtained the entity's written policies and procedures and determined that they address each of the financial/business noted above.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The board met six times during the fiscal year which is in conformity with the entity's bylaws.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The board minutes included budget-to-actual financial comparisons.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The December 6, 2016 minutes included discussion of proposed future repairs to be done to the entity's campus.

Bank Reconciliations

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

We obtained the required listing as well as management's representation that the listing was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a

change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for each of the entity's bank accounts.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

We noted the bank reconciliations do not include evidence that a member of management or a board member with no involvement in the transactions associated with the bank account has reviewed each reconciliation.

Management's Response: The entity employs an outside CPA firm to reconcile all of the cash accounts on a monthly basis. Any adjustments or discrepancies noted by the CPA firm during the reconciliation process are discussed with the Commandant of the entity. The Commandant approves the resolution of any noted adjustments or discrepancies.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

We noted two bank reconciliations that had reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period for which there was no documentation reflecting that they had been researched.

Management's Response: The entity will research and resolve these items.

Collections

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

Management provided us with the required listing as well as the representation that the listing was complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Each person responsible for collecting cash is bonded, not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account, and not required to share the cash register or drawer with another employee.

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

The entity does have a formal process to reconcile cash collections to the general ledger by revenue source by a person who is not responsible for cash collections.

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

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

We noted funds collected between August 29, 2016 and September 15, 2016 were not deposited until September 19, 2016.

Management's Response: The school has limited administrative staff; therefore, based on the daily workload and staffing levels, it is not always possible to deposit funds within one day of collection. Any funds not deposited within one day of collection are placed in a safe which is behind a locked door. Individuals who are responsible for cash collections do not have access to the safe or to the office where the safe is located.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Daily cash collections are completely supported by documentation.

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

The entity does have a process specifically defined to determine completeness of all collections, for each revenue source by a person who is not responsible for collections.

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Management provided us with the required listing as well as the representation that the listing was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Purchases were initiated using a system that separates initiation from approval functions.

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

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

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

Payments for purchases were not processed without proper approvals.

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

The person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The person who makes the final authorization for disbursements does not have responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is maintained in a locked location with access restricted to those persons who do not have signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not applicable.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided us with the required listing as well as the representation that the listing was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

There is evidence that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

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

No finance charges and/or late fees were assessed on the selected statements.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

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

The transaction was supported by an original itemized receipt.

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

The transaction was supported by documentation of the business/public purpose.

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

No other documentation was required.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions were noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Management provided us with the required listing as well as the representation that the listing was complete.

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

Management follows state travel regulations related to travel and expense reimbursements.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Each expense was reimbursed in accordance with written policy.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Each expense was supported by an original itemized receipt that identifies precisely what was purchased.

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

Each expense was supported by documentation of the business/public purpose.

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

No other documentation was required.

- c) Compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted.

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

All of the expense and related documentation were reviewed and approved by either the entity’s principal or commandant.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management’s representation that the listing or general ledger is complete.

Management provided us with the required listing as well as the representation that the listing was complete.

21. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

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

There is a formal/written contract supporting the services arrangement and the amount paid.

- b) Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

The selected contracts were not subject to the Louisiana Public Bid Law or Procurement Code. The entity does solicit quotes as a best practice.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Not applicable.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

The invoice and related payment complied with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable.

Payroll and Personnel

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

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

The payments made to each of the five selected employees were made in strict accordance with the terms and conditions of the employment.

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

Not applicable.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

Each of the selected employees documented their daily attendance and leave.

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

There is written documentation that supervisors approved the attendance and leave of the selected employees.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

There is written documentation that the entity maintained written leave records on those selected employees that earn leave.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

There were no termination payments made during the fiscal period.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Employee and employer portions of payroll taxes and retirement contributions as well as the required reporting forms were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Not applicable.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Not applicable.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable.

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

Not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management is not aware of any misappropriations of public funds or assets.

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

We noted that the required notices were not posted on its premises and website as required by R.S. 24:523.1.

Management's Response: Both required notices were posted on the day that the independent accountant brought this to our attention.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions were noted.

We were not engaged to and did not 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.

Hienz & Macaluso, LLC

Metairie, LA