

**SOUTHWEST LOUISIANA AIDS COUNCIL**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**Year Ended December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Southwest Louisiana AIDS Council  
Lake Charles, Louisiana

I have audited the accompanying statements of Southwest Louisiana AIDS Council (a nonprofit Agency), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana AIDS Council as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

I have previously audited the Southwest Louisiana AIDS Council's 2016 financial statements, and I expressed an unmodified opinion on those audited financial statements in my report dated June 23, 2017.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2018, on my consideration of Southwest Louisiana AIDS Council's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Louisiana AIDS Council's internal control over financial reporting and compliance.

## **Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements 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 of Federal Awards, and the Schedule of Compensation, Benefits and Other Payments, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
June 22, 2018

Southwest Louisiana AIDS Council

STATEMENT OF FINANCIAL POSITION

December 31, 2017  
with comparative totals for 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 986,625	\$ 1,202,229
Cash restricted for capital projects	24,411	18,360
Grants receivable	302,949	370,731
Program Receivable	123,551	151,993
Other current assets	16,442	7,047
Deferred tax asset - federal	1,355	1,355
Total current assets	<u>1,455,333</u>	<u>1,751,715</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	93,794	79,602
Leasehold improvements	147,824	141,537
	<u>241,618</u>	<u>221,139</u>
Less accumulated depreciation	(154,368)	(141,717)
Net property and equipment	<u>87,250</u>	<u>79,422</u>
<b>OTHER ASSETS</b>		
Other receivable	<u>17,083</u>	<u>-</u>
<b>Total Assets</b>	<u>\$ 1,559,666</u>	<u>\$ 1,831,137</u>

Southwest Louisiana AIDS Council

STATEMENT OF FINANCIAL POSITION

December 31, 2017  
with comparative totals for 2016

LIABILITIES

	<u>2017</u>	<u>2016</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 345,879	\$ 315,373
Other payable - related party	-	-
Payroll taxes payable	16,093	14,889
Income taxes payable	-	770
Compensated absences payable	25,719	25,719
Other accrued liabilities	2,717	5,325
Line of credit	-	-
Deferred support	3,750	4,125
Total current liabilities	<u>394,158</u>	<u>366,201</u>
Total liabilities	<u>394,158</u>	<u>366,201</u>
<b>NET ASSETS</b>		
Unrestricted	1,141,097	1,446,576
Temporarily restricted	24,411	18,360
Total net assets	<u>1,165,508</u>	<u>1,464,936</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,559,666</u></u>	<u><u>\$ 1,831,137</u></u>

Southwest Louisiana AIDS Council

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017  
with comparative totals for 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Government Grants	\$ 1,678,859	\$ -	\$ 1,678,859	\$ 1,782,956
340 B Program Income	1,678,566	-	1,678,566	2,951,985
Contributions	54,310	-	54,310	19,421
Non-Government Grants	48,928	-	48,928	15,500
Interest Income	1,886	-	1,886	136
Miscellaneous Income	14,653	-	14,653	2,204
Bingo revenues	414,044	6,051	420,095	474,664
Fund-raising/special events	37,307	-	37,307	13,664
Total revenues and gains	3,928,553	6,051	3,934,604	5,260,530
Net assets released from restrictions	-	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	3,928,553	6,051	3,934,604	5,260,530
<b>EXPENSES AND LOSSES</b>				
Program service-community services	3,839,261	-	3,839,261	4,177,866
Management and general	49,431	-	49,431	342,522
Fund-raising/special events	5,867	-	5,867	80,826
Bingo	339,473	-	339,473	331,757
TOTAL EXPENSES AND LOSSES	4,234,032	-	4,234,032	4,932,971
<b>CHANGE IN NET ASSETS</b>	(305,479)	6,051	(299,428)	327,559
<b>NET ASSETS AT BEGINNING OF YEAR</b>	1,446,576	18,360	1,464,936	1,137,377
<b>NET ASSETS AT END OF YEAR</b>	\$ 1,141,097	\$ 24,411	\$ 1,165,508	\$ 1,464,936

**Southwest Louisiana AIDS Council**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the year ended December 31, 2017  
with comparative totals for 2016**

	Program	Management	Fund	Bingo	Total Program and Supporting Service Expense	
	Services	and General	Raising		2017	2016
Advertising and public relations	\$ 1,332	\$ 4,633	\$ 2,353	\$ 7,450	\$ 15,768	\$ 30,660
Bank fees	1,999	350	-	445	2,794	1,873
Client Assistance	469,149	188	62	-	469,399	479,150
Cost of 340 B Program	1,198,510	-	-	-	1,198,510	2,056,494
Donations - Other Non Profits	-	140	929	3,144	4,213	37,959
Gaming Fees	-	-	-	71,982	71,982	74,065
Income tax expenses - current	-	-	-	11,915	11,915	12,072
Insurance	40,749	14	-	-	40,763	43,098
Interest expense	39	98	-	-	137	20
Miscellaneous	460	324	-	55	839	1,062
Office supplies	32,546	1,534	-	554	34,634	21,228
Medical services	356,632	-	-	-	356,632	391,748
Payroll taxes	83,932	420	-	6,586	90,938	81,202
Postage	604	357	-	-	961	1,483
Printing and publications	678	220	-	-	898	775
Professional fees	37,243	-	-	12,890	50,133	18,115
Program Food and Beverage	8,293	10,920	-	-	19,213	8,505
Program Incentives	-	-	-	-	-	1,843
Program Supplies	5,340	852	659	-	6,851	775
Rent and occupancy	207,291	12,732	-	85,500	305,523	297,496
Equipment and computer maintenance	75,267	1,054	-	-	76,321	53,221
Salaries and benefits	1,236,220	6,020	-	82,138	1,324,378	1,186,387
Security	-	-	-	-	-	8,890
Sponsored Events	6,600	8,218	1,834	-	16,652	12,099
Supplies	-	-	-	55,814	55,814	54,688
Taxes and licenses	45	15	30	1,000	1,090	1,247
Telephone and internet	10,992	-	-	-	10,992	9,383
Travel and transportation	42,673	1,342	-	-	44,015	30,612
Total before depreciation and other expense	3,816,594	49,431	5,867	339,473	4,211,365	4,916,150
Depreciation	22,667	-	-	-	22,667	16,821
Deferred Tax	-	-	-	-	-	-
Loss on disposal of assets	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 3,839,261</b>	<b>\$ 49,431</b>	<b>\$ 5,867</b>	<b>\$ 339,473</b>	<b>\$ 4,234,032</b>	<b>\$ 4,932,971</b>

**Southwest Louisiana AIDS Council**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2017  
with comparative totals for 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (299,428)	\$ 327,559
Adjustments to reconcile change in net assets to net cash provided by (used) by operating activities		
Depreciation	22,667	16,821
(Increase) decrease in operating assets		
Grants receivable	67,782	(51,485)
Other current assets	(9,395)	(2,590)
Other receivable	(17,083)	4,000
Program receivable	28,442	118,006
Increase (decrease) in operating liabilities		
Accounts payable	30,506	(43,210)
Other payable - related party	-	(83,641)
Deferred support	(375)	-
Payroll tax payable	1,204	(1,026)
Accrued wages	-	5,195
Accrued liabilities	(2,608)	(13,471)
Income tax payable	(770)	(1,095)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(179,058)</b>	<b>275,063</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, equipment and improvements	(30,495)	(73,555)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(30,495)</b>	<b>(73,555)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Line of credit advances		-
Repayments of line of credit	-	(23,504)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>(23,504)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(209,553)</b>	<b>178,004</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>1,220,589</b>	<b>1,042,585</b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$ 1,011,036</b>	<b>\$ 1,220,589</b>
Supplemental Disclosure for Cash Flow Information:		
Cash paid during year for interest	\$ 137	\$ 20
Income tax paid during year	\$ 21,885	\$ 11,302

**Southwest Louisiana AIDS Council**  
**Notes to Financial Statements**  
**December 31, 2017**

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

The financial statements of Southwest Louisiana AIDS Council have been prepared on the accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for voluntary health and welfare organizations.

1. Agency and Purpose

Southwest Louisiana AIDS Council (SLAC) is a 501 (c) (3) Louisiana not-for-profit Agency founded in 1987 whose mission is: To provide education and prevention services to the public about HIV/AIDS prevention and to provide housing assistance, social and medical services to people living with HIV/AIDS in the region. SLAC provides services to the residents of five parishes of Allen, Beauregard, Calcasieu, Cameron and Jeff Davis.

SLAC is the Ryan White Part B and Housing Opportunities for People Living with AIDS (HOPWA) grantee, through the Louisiana Department of Health and Hospitals. SLAC also is the grantee for the Ryan White HIV/AIDS Program Part C, Early Intervention Services and Ryan White Part D Program, Coordinated HIV Services and Access to Research for Women, Infants and Children and Youth, (WICY), and has partnered with the Comprehensive Care Clinic (CCC) since 2000.

SLAC-CCC services include: counseling, testing and referral services (CTRS); linkage and navigation services; laboratory, primary medical and HIV care; psychiatry, mental health and substance use/addiction services; medical case management including high risk medical case management and non-medical case management with insurance enrollment; treatment adherence counseling and pharmacy services; nutrition assessments, nutrition therapy, and food pantries; oral health, refractive vision care, medical transportation, as well as peer support groups and small group therapy sessions. In addition, SLAC provides in-house training about HIV/AIDS to individuals and families, to faith-based and civic Agencies, in primary and secondary educational institutions as well as providing education programs and curriculum at health fairs, community forums, and through other events and activities.

The CCC Medical Director and SLAC Executive Director partner together to provide a comprehensive continuum of quality care for people living with HIV/AIDS in Southwest Louisiana by maximizing effective utilization of resources and by reducing duplication of services. Both entities have extensive knowledge and experience in the provision of HIV services and in federal, state and private grant management.

2. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) 958-205-50, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-205-50, the Agency 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.

**Southwest Louisiana AIDS Council**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3. Cash and Cash Equivalent**

For purposes of the Statements of Cash Flows, the Agency considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**4. Use of Estimates**

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

**5. Property and Equipment**

The Agency follows the practice of capitalizing all furniture and fixtures acquired in excess of \$500. Donated fixed assets are recorded as support at their estimated fair value at the date of donation; all other fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation amounted to \$22,667 for the year ended December 31, 2017, based on an estimated useful life of five years for furniture, fixtures and equipment and fifteen years for leasehold improvements.

**6. Concentration of Revenue and Support**

A majority of the revenue for the Agency's programs is provided by, government grants (43%), the Agency's participation in the 340B program (43%), and bingo revenues (11%) and by various donors through contributions and fundraisers. If the Agency no longer held the bingo sessions, or no longer participated in the 340B Program, or there were significant reductions in amounts received in funding or by donors, the operations of the Agency could be adversely impacted.

**7. Public Support and Revenue**

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or the grantor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is when a stipulated time restriction ends or the purpose of the restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the donation is received, the donation is reported as unrestricted.

**Southwest Louisiana AIDS Council**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8. Advertising Costs

Advertising costs are charged to operations when incurred. For the year ended December 31, 2017, the Agency incurred \$16,635 in publicity and promotion costs.

9. Contributed Goods and Services

A substantial number of volunteers have donated significant amounts of their time to the Agency and its various programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

10. Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**NOTE B - FAIR VALUES OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Agency in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, short-term unconditional promises to give, and accruals: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Short-term investments: The fair value of investments is based on quoted market prices for those similar investments.

**NOTE C - FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. The methods of allocation were based on the Agency's estimates of the relative proportion of various staff members' time and effort between program and support services as well as the Agency's estimates of the amount of each expense utilized for program or support service functions.

**Southwest Louisiana AIDS Council  
Notes to Financial Statements  
December 31, 2017**

**NOTE D - RETIREMENT PLAN**

The Agency adopted and participates in a Simplified Employee Pension Plan (SEP) that covers all full-time employees fulfilling the eligibility requirements set by the plan underwriter. The Agency's contribution rate to the plan is 4% of eligible gross wages. Total contributions to the plan for the year ended December 31, 2017 were \$37,318.

**NOTE E - INCOME TAXES**

Southwest Louisiana AIDS Council was incorporated under the laws of the state of Louisiana. The Agency is operated exclusively for charitable services and has qualified for the exemption from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. In addition, the Agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Code. The Agency is subject to income tax on unrelated business income which includes the net pull tab profit received from the bingo operations. Income tax amounted to \$8,260 for the year ended December 31, 2017. Southwest Louisiana AIDS Council is required to file the applicable Form 990, *Return of Agency Exempt from Income Tax*, and Form 990-T, *Exempt Agency Business Income Tax Return*. The Agency believes that has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Returns are subject to examination by the IRS, generally for three years after they are filed.

**NOTE F – TEMPORARILY RESTRICTED GRANTS/ ENDOWMENT FUND**

Temporarily restricted net assets consist of the Slade-Stewart endowment fund. Donations, so designated, are to be segregated in a bank account and be utilized for capital projects of the agency.

Balance January 1, 2017	\$ 18,360
Contributions received	6,051
Expended for capital improvements	-
Balance December 31, 2017	<u>\$ 24,411</u>

**NOTE G - COMPENSATED ABSENCES**

Annual and sick leave is earned by each full-time and each part-time associate, temporary employees are not entitled to annual paid leave or sick leave. Annual leave for the preceding year must be used within three months following the completion of the year of its accrual. Failure to use the annual leave by this date results in the employee's forfeiture of the unused amount of annual leave. Any unused sick leave is forfeited by the employee at their time of resignation or retirement.

**Southwest Louisiana AIDS Council**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE H – 340 B PROGRAM**

The Agency participates in the 340B Prescription Drug Program. Income and expenses for the program were as follows for the year ended December 31, 2017:

	2017
Program income	\$ 1,678,566
Cost of medications sold	<u>870,747</u>
Gross profit	807,819
Management fees	<u>327,763</u>
Net margin	<u>\$ 480,056</u>

**NOTE I - LEASES**

The Agency leases its office facility under a five-year lease agreement with Ribbons of Hope Inc.. The lease began on April 1, 2015 and is for a term of five years. The lease has ten five year options to extend the lease. The lease is a non-cancelable operating lease agreement. The base rent is equal to the mortgage note payable by the lessor on the leased premises or ten thousand dollars, whichever is greater. The following is a schedule of future minimum rental payments under this lease agreement:

Year ending December 31:	
2018	\$ 125,992
2019	\$ 125,992
2020	\$ 125,992
2021	\$ 41,997
2021	\$ -0-

**NOTE J – RELATED PARTY TRANSACTIONS**

The lease described in Note I above was executed with Ribbons of Hope, Inc. The Executive Director and Operations of the Agency also serve as board members of Ribbons of Hope, Inc., in addition, the Executive Director of Ribbons of Hope, Inc. is an employee of the Agency. The Agency owed \$79,100 to Ribbons of Hope, Inc. as of December 31, 2017 and \$-0- as of December 31, 2016, for rent.

**Southwest Louisiana AIDS Council**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE K – CASH AND CASH EQUIVALENTS**

The Agency maintains the following cash accounts:

		December 31, 2017
Petty Cash Accounts	\$	243
Operating Account		881,490
Operating Gaming		92,616
Cash on Hand Gaming		12,276
Endowment Fund		24,411
	\$	<u>1,011,036</u>

**NOTE L - CONCENTRATION OF RISK**

Southwest Louisiana AIDS Council maintains cash balances at several financial institutions located in Southwest Louisiana. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC), based on balances and interest rate terms. Amounts held in financial institutions occasionally are in excess of Federal Deposit Insurance Corporation limits. The Agency deposits its cash with high quality financial institutions, and management believes the Agency is not exposed to significant credit risk on those amounts.

**NOTE M – LINE OF CREDIT**

The Agency has a revolving line of credit with Iberia Bank for \$100,000 at a variable rate of interest. The maturity date on the line of credit is October 2018. As of December 31, 2017, the Agency owed \$-0- on the line of credit.

**NOTE N – GRANTS RECEIVABLE**

Grants receivable consisted of amounts due from state and federal agencies passed through the State of Louisiana, Department of Health and Hospitals. The balance at December 31, 2016 was \$302,949 and \$370,731 at December 31, 2016.

**NOTE O - SUBSEQUENT EVENT**

The Agency evaluated its December 31, 2017 financial statements for subsequent events through the date of the audit report, the date the financial statements were available to be issued. The Agency is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**Southwest Louisiana AIDS Council**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2017**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Year</u>	<u>Program Revenues</u>	<u>Program Expenditures</u>
U. S. Department of Health and Human Services				
Direct Programs:				
Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Part C)	93.918	1/1/17 - 12/31/17	\$ 603,999	\$ 603,999
Coordinated Services and Access for Women, Infants, Children and Youth (Ryan White HIV/AIDS Part D)	93.153	1/1/17 - 12/31/17	486,697	486,697
Passed-through the State of Louisiana :				
Department of Health and Hospitals Office of Public Health HIV Care Formula Grants (Ryan White HIV/AIDS Part B)				
	93.917	1/1/17 - 12/31/17	328,892	328,892
Department of Health and Hospitals Office of Public Health Housing Opportunities for Persons with AIDS				
	14.241	1/1/17 - 12/31/17	<u>259,271</u>	<u>259,271</u>
Total federal assistance			<u>\$ 1,678,859</u>	<u>\$ 1,678,859</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Louisiana AIDS Council and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 of U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Certain costs have been allocated to the federal program in accordance with OMB Circular A-122, *Cost Principles of Non-Profit Organizations*. The amounts presented in this schedule do not differ from the amounts presented in, or used in the preparation of the financial statements.

**Southwest Louisiana AIDS Council**

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

**Paid from Public Funds**

**December 31, 2017**

Agency Head Name: Terry Estes, Executive Director

<b>Purpose</b>	<b>Amount</b>
Salary	\$64,591
Benefits-health insurance	7,788
Benefits-retirement	2,584
Benefits-Life, ADD, LTD	108
Car allowance	0
Vehicle provided by government	0
Per diem for out of town meals	110
Reimbursements – Auto Mileage Reimb	0
Travel	13
Registration fees	35
Conference travel	164
Continuing professional education fees	259
Housing	0
Unvouchered expenses	0
Special meals	598

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

Board of Directors  
Southwest Louisiana AIDS Council  
Lake Charles, LA

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Louisiana AIDS Council (a nonprofit Agency), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated June 22, 2018.

### Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I 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 Southwest Louisiana AIDS Council's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
June 22, 2018

# STEVEN M. DEROUEN & ASSOCIATES

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

Board of Directors  
Southwest Louisiana AIDS Council  
Lake Charles, LA

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

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

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of Southwest Louisiana AIDS Council's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Southwest Louisiana AIDS Council's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Southwest Louisiana AIDS Council's compliance.

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

In my opinion, Southwest Louisiana AIDS Council 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, 2017.

### **Report on Internal Control Over Compliance**

Management of Southwest Louisiana AIDS Council 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 Southwest Louisiana AIDS Council'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, I do not express an opinion on the effectiveness of Southwest Louisiana AIDS Council'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.

My 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 my 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.

*Steven M. DeRouen & Associates*

Lake Charles, Louisiana  
June 22, 2018

**Southwest Louisiana AIDS Council**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2017**

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

1. The auditors’ report expresses an unmodified opinion on the financial statements of the Southwest Louisiana AIDS Council.
2. There were no significant deficiencies in internal control required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
3. There were no material weaknesses in internal control required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
4. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.
5. There were no significant deficiencies in internal control over major federal award programs required to be disclosed by the Uniform Guidance.
6. The auditors’ report on compliance for the major federal award programs for the Southwest Louisiana AIDS Council expresses an unmodified opinion on all major federal programs.
7. The audit disclosed no findings required to be reported in accordance with the Uniform Guidance.
8. The programs tested as a major program included:
  - Coordinated Services and Access to Research for Women, Infants, Children and Youth - CFDA 93.153
  - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease - CFDA 93.918
9. The threshold for distinguishing Type A and B programs was \$750,000.
10. The Southwest Louisiana AIDS Council was determined to be a low risk auditee as defined by Uniform Guidance.

**Section II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:**

There were no current year findings.

**Section II – Findings and questioned costs for federal awards which are required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance):**

There were no current year findings.

**Southwest Louisiana AIDS Council  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2016**

**NONE REPORTED**

**SOUTHWEST LOUISIANA AIDS COUNCIL**  
**Lake Charles, Louisiana**

**Independent Accountant's Report On Applying**  
**Agreed-Upon Procedures**

**January 1, 2017 – December 31, 2017**

# STEVEN M. DEROUEN & ASSOCIATES

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## **AGREED-UPON PROCEDURES REPORT**

### **SOUTHWEST LOUISIANA AIDS COUNCIL**

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

**FOR THE PERIOD OF JANUARY 1, 2017 THROUGH DECEMBER 31, 2017**

To the Board of Directors and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Southwest Louisiana Aids Counsel 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 period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

## Written Policies and Procedures

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

**Observation:** Although, written policies for some areas exist, the policies have not been updated in several years.

**Managements Response:** The agency will review accounting and financial policies for possible revision.

Board (or Finance Committee, if applicable)

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

***There were no observations noted resulting from the application of these procedures.***

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared;
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
  - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

***Finding:*** No evidence of review of bank reconciliation by management. Also, there were five outstanding items in the operating account that were greater than six months old.

***Management Response:*** Due to the limited number of accounting personnel, this procedure is not effective. However, management feels that adequate controls are in place due to review of supporting documentation by authorized check signers. Management will review the outstanding items mentioned above and take proper action.

## Collections

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

*Not applicable.*

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

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

**Observation:** The same individual who processes checks can also add a vendor into the accounting system.

**Management's Response:** The Agency has compensating controls in place to offset the above observation.

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

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

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

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

***There were no observations noted resulting from the application of these procedures.***

## Travel and Expense Reimbursement

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

*There were no observations noted resulting from the application of these procedures.*

## Contracts

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

***There were no observations noted resulting from the application of these procedures.***

## 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.
  - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

### Payroll and Personnel (Continued)

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

*There were no observations noted resulting from the application of these procedures.*

### Ethics

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

*Not applicable.*

### Debt Service

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

*Not applicable*

### Other

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

*There were no observations noted resulting from the application of these procedures.*

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

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

*Steven M. DeRouen & Associates*

June 22, 2018  
Lake Charles, Louisiana