

*Children's Advocacy
Network, Inc.*

Alexandria, Louisiana

December 31, 2018

Children's Advocacy Network, Inc.

December 31, 2018

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report.....		1-2
Financial Statements		
Statement of Financial Position.....	A	3
Statement of Activities.....	B	4
Statement of Functional Expenses.....	C	5
Statement of Cash Flows.....	D	6
Notes to Financial Statements.....		7-15
	<u>Schedule</u>	
Supplemental Information.....		16
Schedule of CASA Assistance Program (CASA AP) Revenue and Expenses.....	1	17
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer.....	2	18
Schedule of Expenditures of Federal Awards.....	3	19
Other Reports Required by <i>Government Auditing Standards</i> and the Uniform Guidance.....		20
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 <i>Government Auditing Standards</i>		21-23
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....		24-27
Schedule of Findings and Questioned Costs.....		28-29
Management's Corrective Action Plan.....		30-31
Management's Summary Schedule of Prior Audit Findings.....		32



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

To the Board of Directors of
Children's Advocacy Network, Inc.

Report on the Financial Statements

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

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.

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
Deborah R. Dunn, C.P.A.

Rebecca G. Nation, C.P.A.
Evelyn T. Renfrow, C.P.A.
Kayla G. Holloway, C.P.A.

1



1419 Metro Drive • P.O. Box 13200
Alexandria, LA 71315-3200
Ph: (318) 443-1893 • Fax: (318) 443-2515



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
Children's Advocacy Network, Inc.

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of CASA Assistance Program revenue and expenses and the schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019, on our consideration of Children's Advocacy Network, 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 solely 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 the effectiveness of Children's Advocacy Network, Inc's., 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 Children's Advocacy Network, Inc's., internal control over financial reporting and compliance.

Payne, Moore, Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

June 13, 2019

**Children's Advocacy Network, Inc.
Statement of Financial Position
December 31, 2018**

Exhibit A

Assets

Current Assets

Cash	\$ 287,125
Receivables	558,180
Prepaid expenses	1,849
Total Current Assets	847,154

Investments

1,018,715

Property, Plant, and Equipment - Net of Depreciation

444,089

Other Assets

Deposits	2,755
----------	-------

Total Assets

\$ 2,312,713

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 1,083
Accrued liabilities	198
Total Current Liabilities	1,281

Net Assets

Without donor restrictions	
Undesignated	851,940
Designated - long-term investment plan	1,074,436
With donor restrictions	385,056
Total Net Assets	2,311,432

Total Liabilities and Net Assets

\$ 2,312,713

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

Children's Advocacy Network, Inc.
Statement of Activities
Year Ended December 31, 2018

Exhibit B

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 164,467	\$ -	\$ 164,467
Fundraising events	127,590	-	127,590
Grants	61,092	822,963	884,055
Court costs	52,578	-	52,578
Investment income			
Interest and dividends	47,572	-	47,572
Unrealized gain (loss) on investments	(101,514)	-	(101,514)
Net assets released from restrictions	1,142,621	(1,142,621)	-
Total Revenue and Support	1,494,406	(319,658)	1,174,748
Functional Expenses			
Program Services			
Advocacy Center	644,317	-	644,317
CASA	782,547	-	782,547
Total Program Services	1,426,864	-	1,426,864
Supporting Services			
Management and general	157,423	-	157,423
Fundraising	18,589	-	18,589
Total Supporting Services	176,012	-	176,012
Total Functional Expenses	1,602,876	-	1,602,876
Change in Net Assets	(108,470)	(319,658)	(428,128)
Net Assets - Beginning of Year	2,034,846	704,714	2,739,560
Net Assets - End of Year	\$ 1,926,376	\$ 385,056	\$ 2,311,432

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

**Children's Advocacy Network, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018**

Exhibit C

	Program Services			Supporting Services			Total Expenses
	Advocacy Center	CASA	Total	Management and General	Fundraising	Total	
Advertising	\$ 30,132	\$ 37,850	\$ 67,982	\$ -	\$ -	\$ -	\$ 67,982
Payroll taxes and benefits	51,458	84,855	136,313	19,417	-	19,417	155,730
Salaries	302,862	499,424	802,286	114,280	-	114,280	916,566
Telephone and utilities	16,442	27,113	43,555	6,204	-	6,204	49,759
Supplies	28,322	14,903	43,225	2,876	55	2,931	46,156
Insurance	17,841	4,579	22,420	-	-	-	22,420
Professional services	33,172	22,554	55,726	-	-	-	55,726
Depreciation	13,947	22,999	36,946	5,264	-	5,264	42,210
Rent	90,000	22,000	112,000	-	-	-	112,000
Travel and education	51,066	38,817	89,883	601	-	601	90,484
Other	9,075	7,453	16,528	8,781	18,534	27,315	43,843
Total Expenses	\$ 644,317	\$ 782,547	\$ 1,426,864	\$ 157,423	\$ 18,589	\$ 176,012	\$ 1,602,876

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

Children's Advocacy Network, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

Exhibit D

Cash Flows from Operating Activities

Change in net assets	\$ (428,128)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	42,210
Unrealized (gain) or loss on investments	101,514
Changes in operating assets and liabilities:	
Accounts receivable	323,939
Prepaid expenses	(166)
Other assets	(982)
Accounts payable	(1,839)
Accrued liabilities	(901)
Net Cash Provided by (Used in) Operating Activities	35,647

Cash Flows from Investing Activities

Purchase of property and equipment	(46,442)
Purchase of investments	(7,213)
Proceeds from the sale of investments	35,829
Net Cash Provided by (Used in) Investing Activities	(17,826)

Net Cash Provided by (Used in) Financing Activities

-

Net Increase (Decrease) in Cash

17,821

Cash, Beginning of Year

269,304

Cash, End of Year

\$ 287,125

Additional Required Disclosures:

1. No amounts were paid for interest during the year.
2. No amounts were paid for taxes during the year.
3. There were no material noncash investing or financing transactions during the year that affected recognized assets and liabilities.

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

Children's Advocacy Network, Inc.
December 31, 2018

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization

The Children's Advocacy Network, Inc. (C.A.N.) is a nonprofit organization which utilizes an interagency approach to the investigation, prosecution, and treatment of children sexually and physically abused. The mission of C.A.N. is to lessen the trauma experienced by child abuse victims as allegations are investigated and to provide support for the child victim in any resulting proceeding within the criminal justice system. Program activities conducted in pursuit of this mission are described as follows:

- Advocacy Center – The advocacy center coordinates the efforts of child protection staff, law enforcement professionals, family advocates, medical experts, and mental health clinicians under one roof to foster hope and healing for children and their families.
- CASA – Court Appointed Special Advocates (CASAs) are trained community volunteers appointed by the judge to represent the interests of abused and neglected children. CASAs conduct an independent investigation for the purposes of providing the court with objective recommendations regarding the child's best interest. C.A.N. recruits, screens, and trains CASA volunteers.

Basis of Presentation

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles.

As required by Generally Accepted Accounting Standards, net assets and activities are classified in the following manner:

- Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, court costs, and interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- Net assets with donor restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished. Until that time, these net assets are restricted.

Cash and Cash Equivalents

Cash and cash equivalents represent bank deposits and highly liquid investments with original maturities of three months or less.

Children's Advocacy Network, Inc.
December 31, 2018

Notes to Financial Statements

Promises to Give

As required by generally accepted accounting principles, unconditional promises to give are reported as revenue when the promise is made. Conditional promises to give are recognized as revenue when the necessary conditions are fulfilled. Promises to give are reported as receivables on the Statement of Financial Position.

Prepaid Expenses

Prepaid expenses include insurance premiums paid prior to year-end for coverage included in the next year.

Certificates of Deposit

Certificates of deposit have a maturity date in excess of 90 days when purchased and are stated at cost, which approximates market value. Certificates of deposit having a maturity date greater than one year from year-end are considered long-term assets. C.A.N. had no certificates of deposit at December 31, 2018.

Investments

Investments consist of marketable securities that are reported at fair market value based on quoted market prices. Equity investments that are not actively traded are reported at cost when fair market values are not available.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost on the date of acquisition. Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Donated property is recorded at the estimated fair value upon receipt. Depreciation is computed using the straight-line methods over estimated useful lives ranging from 5 to 40 years.

Assets donated with explicit restrictions regarding their use and contributions of cash earmarked to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, C.A.N. reports expirations of donor restrictions when the donated or acquired assets are placed in service. C.A.N. reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Compensated Absences

Employees are allowed to accumulate and carry over a maximum of 40 hours of vacation time per year. Actual amounts carried over were immaterial at December 31, 2018.

Children's Advocacy Network, Inc.
December 31, 2018

Notes to Financial Statements

Use of Donated Facilities

C.A.N. rents an office facility for \$1 each year under the terms of a lease agreement (see Note 14 – Leases). Contribution revenue and rent expense are recognized in an amount approximating the annual estimated fair-value rental of the property.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated are salaries, payroll taxes and benefits, telephone and utilities, and depreciation, which are based on time spent. All other expenses are allocated based on direct costs.

Advertising

C.A.N.'s advertising programs are not considered to have any significant benefits for future periods. Accordingly, advertising costs are expensed as incurred.

Income Taxes

C.A.N. is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Furthermore, C.A.N. is not classified as a "private foundation" by the Internal Revenue Service.

C.A.N.'s tax returns remain subject to audit by the IRS for three years after filing. At December 31, 2018, the returns for 2015, 2016, and 2017 remain open.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires certain estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through June 13, 2019, the date which the financial statements were available for issue.

New Accounting Standard

During the year ended December 31, 2018, C.A.N. adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 — *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously

Children's Advocacy Network, Inc.
December 31, 2018

Notes to Financial Statements

reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources, as well as the functional allocation of expenses. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. These changes did not have a material effect on the financial statements.

The changes resulting from the implementation of this new standard as of January 1, 2018, are as follows:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted	\$ 2,034,846	\$ -
Temporarily restricted	704,714	-
Without donor restrictions	-	2,034,836
With donor restrictions	-	704,714
Total net assets	<u>\$ 2,739,560</u>	<u>\$ 2,739,560</u>

2. Cash

Demand deposits	\$ 231,404
Money market accounts	<u>55,721</u>
	\$ 287,125

3. Receivables

Receivables consisted almost entirely of unconditional promises to give with the exception of receivables related to payroll and court costs. Details regarding the amount reported on the Statement of Financial Position are provided as follows:

Grants and pledges	\$ 514,223
Court costs	42,891
Payroll receivable	<u>1,066</u>
	\$ 558,180

Receivables are considered entirely collectible, and there is no allowance for doubtful accounts. Furthermore, the entire balance is considered collectible within one year.

4. Investments

Investment securities are reported at quoted market prices. Investment securities held at year-end are described as follows:

Fixed income securities	\$ 197,857
Mutual funds	443,926
Exchange traded products	357,132
Real estate investment trust	<u>19,800</u>
	\$ 1,018,715

Children's Advocacy Network, Inc.
December 31, 2018

Notes to Financial Statements

Fixed income securities consist of various bond issues that are described more fully as follows:

	<u>Moody Rating</u>	<u>Maturity Date</u>	<u>Rate</u>	<u>Total</u>
General Electric Capital	BAA1	09/15/20	5.900%	\$ 60,642
Goldman Sachs Group	A3	03/15/20	5.375%	40,894
JPMorgan Chase Group	A3	09/10/24	3.875%	49,199
Wells Fargo Group	A2	02/19/25	3.000%	<u>47,122</u>
				<u>\$ 197,857</u>

Mutual funds consist of various professionally managed investment arrangements designed to invest in various securities. Details related to mutual fund holdings are described as follows:

<u>Investment Category</u>	<u>Total</u>
Domestic convertible securities	\$ 37,080
Intermediate term bonds	249,732
High yield bonds	41,107
World bonds	87,073
Variable rate senior corporate debt	<u>28,934</u>
	<u>\$ 443,926</u>

Exchange traded products are investment vehicles that are traded on various stock exchanges. These funds are invested in various securities in a manner designed to track various market indices that are more fully described as follows:

<u>Market Index</u>	<u>Total</u>
iShares	
Morningstar Dividend Leaders Index	\$ 40,860
Morgan Stanley Capital International – Emerging Markets	28,709
Exchange - Traded Northern American Energy Infrastructure	31,317
S & P 500 Citigroup Growth	53,488
S & P North American Natural Resources Sector	25,006
Morgan Stanley Capital International – Europe, Australasia, and Far East	34,092
S & P Midcap 400/Citigroup Value	34,585
S & P Smallcap 600/Citigroup Value	34,676
S & P U.S. Preferred Stock	44,499
Utilities Select Sector SPDR Fund	<u>29,900</u>
	<u>\$ 357,132</u>

A real estate investment trust (REIT) invests in commercial properties, industrial properties, and loans secured by real estate. Shares in the REIT are not actively traded but shareholders are offered an opportunity to redeem shares at amounts based on estimated fair market values. The estimated fair market values have been determined based on valuations provided by third party real estate advisors. Management has evaluated these shares for impairment and determined that there were no circumstances or events that are expected to have an adverse impact on the value of the REIT investments.

Children's Advocacy Network, Inc.
December 31, 2018

Notes to Financial Statements

5. Endowments

The endowments held by C.A.N. consist entirely of funds designated by the Board of Directors and are classified as net assets without donor restrictions. C.A.N. invests these funds according to an investment strategy that currently includes having an independent investment advisor manage the funds to achieve a total return of about 7% per year by investing in asset classes such as money market, fixed income, equity, and alternative investments. C.A.N.'s current spending policy includes distributing investment income of 5% to support undesignated operations and reinvesting any income in excess of 5%.

Changes in endowment net assets for the year ended December 31, 2018, consist of the following:

	<u>Total</u>
Endowment, beginning of year	\$ 1,197,613
Contributions	-
Investment income	46,244
Net appreciation (depreciation)	(102,344)
Fees	(7,077)
Appropriations	(60,000)
Endowment, end of year	<u>\$ 1,074,436</u>

6. Fair Values

C.A.N. is required to disclose estimated fair value for all financial instruments and non-financial instruments measured at fair value on a recurring basis. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

C.A.N. uses the appropriate valuation technique based on the available inputs to measure the fair value of its investments.

Children's Advocacy Network, Inc.
December 31, 2018

Notes to Financial Statements

Details regarding assets measured at fair value on a recurring basis are provided as follows:

Description	Fair Value Measurement at Reporting Date Using			
	Total 12/31/18	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities	\$ 197,857	\$ 197,857	\$ -	\$ -
Mutual funds	443,926	443,926	-	-
Exchange traded products	357,132	357,132	-	-
Real estate investment trust	19,800	-	19,800	-
Total Investments	\$ 1,018,715	\$ 998,915	\$ 19,800	\$ -

A reconciliation of fair values measured using Level 2 inputs is provided as follows:

Fair Value Measurements Using Level 2 Inputs

Beginning Balance	\$ 19,560
Unrealized gain (loss) on investment	240
Ending Balance	\$ 19,800

7. Property, Plant, and Equipment

Office building	\$ 219,151
Furniture, equipment, and vehicles	435,665
Leasehold improvements	301,715
Total property, plant, and equipment	956,531
Accumulated depreciation	(512,442)
Property, plant, and equipment, net of accumulated depreciation	\$ 444,089

Depreciation expense for 2018 was \$42,210.

8. Net Assets without Donor Restrictions

C.A.N.'s net assets without donor restrictions totaled \$1,926,376 as of December 31, 2018. Of this amount, \$1,074,436 was designated by the Board of Directors as a long-term investment plan to establish reserves and generate investment income. Amounts held in money market accounts and investment securities have been designated for the long-term investment plan.

9. Net Assets with Donor Restrictions

The unexpended portion of various grants and contributions (cash and receivables) has been classified as net assets with donor restrictions due to restrictions imposed by various grantors and donors. Net assets with donor restrictions at year-end consist of the following:

Red River Delta	\$ 337,450
Louisiana Charities	47,606
	\$ 385,056

Children's Advocacy Network, Inc.
December 31, 2018

Notes to Financial Statements

10. Conditional Promises to Give

C.A.N. is the recipient of CASA Assistance Program (CASA AP) funds provided through the State of Louisiana which include TANF (Temporary Assistance for Needy Families) funds from the federal government. CASA AP funds are available on a cost reimbursement basis. Based on the terms of the grant agreement, CASA AP awards are not considered revenue until expenses qualifying for reimbursement are incurred. Accordingly, the unexpended portion of CASA AP awards is considered to be a conditional promise to give. At December 31, 2018, conditional promises to give totaled \$299,731 and consisted entirely of CASA AP funds.

11. Liquidity and Availability of Financial Assets

The following reflects C.A.N.'s financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations:

Financial Assets:	
Cash	\$ 287,125
Receivables	558,180
Prepaid expenses	1,849
Investments	<u>1,018,715</u>
	1,865,869
Less amount unavailable for general expenditure within one year due to purpose restrictions by donors	(385,056)
Less amount unavailable to management without Board's approval due to Board designation for long-term investment plan	<u>(1,074,436)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ 406,377

C.A.N. must maintain sufficient resources to meet responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of C.A.N.'s liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, C.A.N. operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient revenues and utilizing donor-restricted resources from current and prior years' contributions and grant funds.

12. Contingent Liabilities

Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of C.A.N. Management of C.A.N. believes disallowances, if any, will not be material.

Children's Advocacy Network, Inc.
December 31, 2018

Notes to Financial Statements

13. Concentrations of Credit Risks

C.A.N. maintains a checking account at a local financial institution which is insured by the Federal Deposit Insurance Corporation up to \$250,000. All cash was insured at December 31, 2018. C.A.N. also has investment accounts with two brokerage firms which are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 each. Some brokerage firms carry additional insurance to cover amounts over \$500,000. There were no uninsured balances held in the brokerage firms at December 31, 2018.

CASA AP and Red River Delta provided \$758,963 in grants, which is approximately 65% of total revenue and support. Without these grants, programs would be significantly affected.

14. Leases

C.A.N. has entered into the following lease agreements to rent office space:

Beginning in 2014, C.A.N. rents an office facility at 1506 Albert Street in Alexandria to conduct the forensic interviewing services. The term of the lease agreement covers the period from January 1, 2014 to December 3, 2028. Under this agreement, C.A.N. agrees to operate the facility as a children's advocacy center for the benefit of the community, pay for any remodeling, and pay an annual rental of \$1 due at the beginning of the lease. Contribution revenue and rent expense have been recognized in the amount of \$90,000 for the year ended December 31, 2018.

Beginning in 2015, C.A.N. rented an office facility at 120 West Mark Street in Marksville to recruit, screen, and train CASA volunteers in Avoyelles Parish. The lease term was on a month-to-month basis beginning February 1, 2015 and ending on April 30, 2018 with monthly payments of \$500. Beginning in April of 2018, C.A.N. moved the Avoyelles Parish operations and began renting an office facility at 631 North Main Street in Marksville. The lease term began on April 1, 2018 and expires on March 31, 2019 with monthly payments of \$800. Total rent expense has been recognized in the amount of \$10,000 for the year ended December 31, 2018.

Beginning in 2016, C.A.N. rents an office facility at 453 Second Street in Colfax to recruit, screen, and train CASA volunteers in Grant Parish. The lease term is on a month-to-month basis beginning March 1, 2016 with monthly payments of \$400. Beginning in October 2017, the monthly payments increased to \$500. Total rent expense has been recognized in the amount of \$6,000 for the year ended December 31, 2018.

Beginning in 2016, C.A.N. rents an office facility at 104 South Jones Street in Winnfield to recruit, screen, and train CASA volunteers in Winn Parish. The lease term is on a month-to-month basis beginning April 1, 2017 with monthly payments of \$500. Total rent expense has been recognized in the amount of \$6,000 for the year ended December 31, 2018.

15. Retirement Plan

C.A.N. provides the option for employees to participate in a 403(b) tax deferred retirement plan. An employee is immediately eligible to participate in this plan. Participants are allowed to make individual voluntary contributions to the plan through salary deferral. The maximum allowable contributions are regulated by the Internal Revenue Service regulations. C.A.N. does not make any matching or discretionary retirement plan contributions.

Supplemental Information

Children's Advocacy Network, Inc.
Schedule of CASA Assistance Program (CASA AP) Revenue and Expenses
Year Ended December 31, 2018

Schedule 1

CASA AP Revenue	
Federal (TANF)	\$ 234,386
State of Louisiana	247,436
Total CASA AP Revenue	<u>\$ 481,822</u>
 CASA AP Expenses	
Salaries	\$ 272,359
Payroll taxes and benefits	52,791
Professional services	3,777
Operating expenses	46,627
Travel	22,524
Training	6,672
Supplies	10,054
Printing/copying (refund)	(350)
Administration - CASA AP funded	67,368
Total CASA AP Expenses	<u>\$ 481,822</u>

See independent auditor's report.

**Children's Advocacy Network, Inc.
Schedule of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
Year Ended December 31, 2018**

Schedule 2

William Bond, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 76,464
Benefits - insurance	2,060
Travel	2,622
Meals	89
Reimbursements	471
Total	\$ 81,706

See independent auditor's report.

**Children's Advocacy Network, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018**

Schedule 3

Federal Grantor/ Pass-through Grantor/ Program Name	CFDA Number	Pass-through Grant Number	Amount Expended
United States Department of Justice-			
Office for Victims of Crime			
Passed through the State of Louisiana			
Commission on Law Enforcement and Administration of Criminal Justice			
Crime Victim Assistance	16.575	2015-VA-03-2924	\$ 193,721
Crime Victim Assistance	16.575	2015-VA-03-4098	67,522
Crime Victim Assistance	16.575	2016-VA-03-3916	341,465
Passed through National Children's Alliance			
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers			
	16.758	ALEX-LA-SA18	<u>7,000</u>
Total United States Department of Justice			<u>609,708</u>
United States Department of Health and Human Services-			
Administration for Children and Families			
Passed through the State of Louisiana			
Office of the Judicial Administrator			
TANF Cluster			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	<u>234,386</u>
Total United States Department of Health and Human Services			<u>234,386</u>
Total Expenditures of Federal Awards			<u>\$ 844,094</u>

Notes:

(1) The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Children's Advocacy Network, Inc. (C.A.N.) under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the C.A.N., it is not intended to and does not present the financial position, changes in net position, or cash flows of the C.A.N.

(2) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) No federal funds were awarded to subrecipients during the year ended December 31, 2018.

(4) Children's Advocacy Network, Inc. did not elect to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

See independent auditor's report.

**Other Reports Required by
Government Auditing Standards
And the Uniform Guidance**

**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***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Children's Advocacy Network, 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 Children's Advocacy Network, Inc. (C.A.N.) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Children's Advocacy Network, 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 C.A.N.'s internal control. Accordingly, we do not express an opinion on the effectiveness of C.A.N.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (Finding 2018-001).

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
Deborah R. Dunn, C.P.A.

Rebecca G. Nation, C.P.A.
Evelyn T. Renfrow, C.P.A.
Kayla G. Holloway, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
Children's Advocacy Network, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children's Advocacy Network, 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 C.A.N.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering C.A.N.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Payne, Moore, & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

June 13, 2019

**Independent Auditor's Report
on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1946

**Independent Auditor's Report
on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors of
Children's Advocacy Network, Inc.

Report on Compliance for Each Major Federal Program

We have audited the Children's Advocacy Network, Inc.'s (C.A.N.) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of C.A.N.'s major federal programs for the year ended December 31, 2018. C.A.N.'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

Our responsibility is to express an opinion on compliance for each of the Children's Advocacy Network, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Children's Advocacy Network, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
Deborah R. Dunn, C.P.A.

Rebecca G. Nation, C.P.A.
Evelyn T. Renfrow, C.P.A.
Kayla G. Holloway, C.P.A.

25



1419 Metro Drive • P.O. Box 13200
Alexandria, LA 71315-3200
Ph: (318) 443-1893 • Fax: (318) 443-2515



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
Children's Advocacy Network, Inc.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Children's Advocacy Network, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered C.A.N.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of C.A.N.'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies (Finding 2018-002)



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
Children's Advocacy Network, Inc.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

June 13, 2019

**Children's Advocacy Network, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> x </u> Yes	<u> </u> No	
Significant deficiency identified not considered to be a material weakness?	<u> </u> Yes	<u> x </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> x </u> No	
Management's Corrective Action Plan	See attached		
Management's Summary Schedule of Prior Audit Findings	See attached		
Memorandum of Other Comments and Recommendations	None issued		

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> x </u> No	
Significant deficiency identified not considered to be a material weakness?	<u> x </u> Yes	<u> </u> None reported	
Type of auditor's report issued on compliance for major programs	Unmodified for Crime Victim Assistance, CFDA #16.575		
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<u> </u> Yes	<u> x </u> None reported	

Identification of major programs:

<u>CFDA Numbers</u> 16.575	<u>Name of Federal Program or Cluster</u> Crime Victim Assistance
--------------------------------------	---

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low risk auditee?	<u> </u> Yes <u> x </u> No

**Children's Advocacy Network, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018**

Section II - Financial Statement Findings

Finding 2018-001 – Material Audit Adjustments

Criteria: The objectives of internal controls include providing management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition and Context: Control deficiencies resulted in a material audit adjustment. These deficiencies may not have been detected except for independent audit procedures.

Cause and Effect: Several account balances were materially misstated due to the audit journal entries for the year ended December 31, 2017, not being recorded.

Recommendation: We recommend establishing monitoring procedures to ensure that all audit journal entries be recorded to reflect proper account balances.

Management's Response: See Management's Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

Finding 2018-002 – Improper Classification of Expenses

Criteria: An entity must properly account for and classify all funds spent for their intended purpose in accordance with the grantor's restrictions.

Condition and Context: Some expenses are misclassified as they relate to grants in the general ledger.

Cause and Effect: C.A.N. does not always enter expenses into the proper grant classification. Therefore, they could potentially submit a reimbursement for the same expense under one or more grants. C.A.N. could also miss an opportunity to request reimbursement for an expense that is not classified under the proper grant.

Recommendation: We recommend C.A.N. properly classify expenses under the grant to which they apply and utilize general ledger detail reports by class to prepare the grant reimbursement requests.

Management's Response: See Management's Corrective Action Plan.



P.O. Box 228
Alexandria, LA 71309

Children's
Advocacy Network

Phone: 318.448.4006
Fax: 318.448.6427

**Children's Advocacy Network, Inc.
Management's Corrective Action Plan
Year Ended December 31, 2018**

The Children's Advocacy Network, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2018.

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP
P.O. Box 13200
Alexandria, LA 71315-3200

Audit Period: January 1, 2018 - December 31, 2018

Finding 2018-001 – Material Audit Adjustments

Condition and Context: Control deficiencies resulted in a material audit adjustment. These deficiencies may not have been detected except for independent audit procedures.

Recommendation: It was recommended to establish monitoring procedures to ensure that all audit journal entries be recorded to reflect proper account balances.

Corrective action taken: The agency utilizes a public accounting firm to prepare its monthly financial statements and make necessary journal entries. This process includes a final year-end review of the financial statements prior to submitting them for the audit. The Executive Director and Finance Committee made specific inquiries about the status of this review prior to finalizing the financial statements and were assured that all journal entries had been recorded and grant expenses properly classified on the general ledger. Due to this being a repeat issue, the agency will hire another firm to perform the necessary bookkeeping functions.

Finding 2018-002 – Improper Classification of Expenses

Condition and Context: Some expenses are misclassified as they relate to grants in the general ledger.

Recommendation: It was recommended that C.A.N. properly classify expenses under the grant to which they apply and utilize general ledger detail reports by class to prepare the grant reimbursement requests.





P.O. Box 228
Alexandria, LA 71309

Children's
Advocacy Network

Phone: 318.448.4006
Fax: 318.448.6427

**Children's Advocacy Network, Inc.
Management's Corrective Action Plan
Year Ended December 31, 2018**

Corrective action taken: The agency utilizes a public accounting firm to prepare its monthly financial statements and make necessary journal entries related to grant reimbursements. This process includes a final year-end review of the financial statements prior to submitting them for the audit. The Executive Director and Finance Committee made specific inquiries about the status of this review prior to finalizing the financial statements and were assured that all journal entries had been recorded and grant expenses properly classified on the general ledger. There is a system currently in place to account for any differences in the general ledger and grant reimbursement requests to ensure that only reimbursable expenses are submitted for each grant. There were no findings of improper grant reimbursement submission items in relation to this finding. Management will implement a process to ensure that adjustments are made to the general ledger grant classifications to reflect the reimbursed amount for each grant.

Respectfully submitted,

William Bond
Executive Director





P.O. Box 228
Alexandria, LA 71309

Children's
Advocacy Network

Phone: 318.448.4006
Fax: 318.448.6427

**Children's Advocacy Network, Inc.
Management's Summary Schedule of Prior Audit Findings
Year Ended December 31, 2018**

Finding 2017-001 – Untimely Submission of 2016 Single Audit Report

Condition and Context: Children's Advocacy Network, Inc.'s 2016 Single Audit report was not submitted to the Federal Audit Clearinghouse within thirty (30) days after receipt of the auditor's report.

Current Status: Resolved.



Children's Advocacy Network, Inc.

Statewide Agreed-Upon Procedures Report

Alexandria, Louisiana

December 31, 2018



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1946

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors of
Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Children's Advocacy Network, Inc. (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 January 1, 2018 through December 31, 2018. 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 results are as follows:

Written Policies and Procedures

1. **Procedure:** Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
Deborah R. Dunn, C.P.A.

Rebecca G. Nation, C.P.A.
Evelyn T. Renfrow, C.P.A.
Kayla G. Holloway, C.P.A.



1419 Metro Drive • P.O. Box 13200
Alexandria, LA 71315-3200
Ph: (318) 443-1893 • Fax: (318) 443-2515



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Not applicable – no prior year exceptions noted.

Board or Finance Committee

- 2. **Procedure:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Results: Not applicable – no prior year exceptions noted.

Bank Reconciliations

3. **Procedure:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four (4) additional accounts [or all accounts if less than five (5)]. Randomly select one (1) month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within two (2) months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than twelve (12) months from the statement closing date, if applicable.

Results: No exceptions noted.

Collections

4. **Procedure:** Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five (5) deposit sites [or all deposit sites if less than five (5)].

Results: No exceptions noted.



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

5. **Procedure:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one (1) collection location for each deposit site [i.e. five (5) collection locations for five (5) deposit sites], obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: No exceptions noted.

6. **Procedure:** Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions noted.

7. Randomly select two (2) deposit dates for each of the five (5) bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten (10) deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one (1) business day of receipt at the collection location [within one (1) week if the depository is more than ten (10) miles from the collection location or the deposit is less than \$100].
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: In our test of two (2) deposits, we noted three (3) out of eleven (11) receipts in which the receipt was not deposited within one (1) day.

Management's Response: The agency staff will establish a revenue receipts log documenting the date of receipt. Deposits will be made within one (1) business day of being received by the agency if over \$100.

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

8. **Procedure:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five (5) locations [or all locations if less than five (5)].

Results: No exceptions noted.

9. **Procedure:** For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two (2) employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two (2) employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

Results: No exceptions noted.

10. **Procedure:** For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five (5) disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions noted.

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

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

Results: No exceptions noted.

12. **Procedure:** Using the listing prepared by management, randomly select five (5) cards [or all cards if less than five (5)] that were used during the fiscal period. Randomly select one (1) monthly statement or combined statement for each card (for a debit card, randomly select one (1) monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

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

Results: In our test of five (5) credit card statements, we noted the following:



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

- a) Two (2) instances in which there was no evidence that the monthly statement and/or supporting documentation was reviewed by someone other than the authorized card holder.
- b) One (1) instance in which a late fee was assessed.

Management's Response: Management will initial/mark that the monthly statement and/or supporting documentation was reviewed by someone other than the authorized card holder and/or the finance director. Management will ensure timely monthly payments of all statements.

13. **Procedure:** Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select ten (10) transactions [or all transactions if less than ten (10)] from each statement, and obtain supporting documentation for the transactions (i.e. each card should have ten (10) transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results: No exceptions noted.

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

14. **Procedure:** Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five (5) reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five (5) reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

Results: All reimbursements tested included mileage that was reimbursed at a rate slightly higher than the rate established by the U.S. General Services Administration.

Management's Response: Management will adhere to company policy specific to mileage reimbursement rate.

Contracts

15. Procedure: Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select five (5) contracts [or all contracts if less than five (5)] from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one (1) payment from the fiscal period for each of the five (5) contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: Not applicable – no prior year exceptions noted.

Payroll and Personnel

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

Results: No exceptions noted.



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

17. Procedure: Randomly select one (1) pay period during the fiscal period. For the five (5) employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions noted.

18. Procedure: Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two (2) employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: No exceptions noted.

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

Results: No exceptions noted.

Ethics

20. Procedure: Using the five (5) randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one (1) hour of ethics training during the fiscal period.



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: Ethic requirements are not applicable to nonprofits.

Debt Service

- 21. **Procedure:** Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Results: Debt service requirements are not applicable to nonprofits.

- 22. **Procedure:** Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one (1) bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: Debt service requirements are not applicable to nonprofits.

Other

- 23. **Procedure:** Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: No exceptions noted.

- 24. **Procedure:** Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions 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.



PAYNE, MOORE & HERRINGTON, LLP

To the Children's Advocacy Network, Inc.
and the Louisiana Legislative Auditor

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

A handwritten signature in blue ink that reads "Payne, Moore & Herrington, LLP".

Payne, Moore & Herrington, LLP
Alexandria, Louisiana

June 13, 2019