

**BETTER CHOICE FOUNDATION, INC.**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**TOGETHER WITH**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**Better Choice Foundation, Inc.**

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

We have audited the accompanying financial statements of the **Better Choice Foundation, Inc. (the Foundation)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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.

### **Auditors' 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.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**Better Choice Foundation, Inc.**

**Auditors' Responsibility, Continued**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**Better Choice Foundation, Inc.**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Foundation** as of June 30, 2019, 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.

**Substantial Doubt about the Foundation's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that **the Foundation** will continue as a going concern. As discussed in Note 13 to the financial statements, **the Foundation** will suffer a significant loss of revenues due to the Orleans Parish School Board, **the Foundation's** Authorizer, not renewing **the Foundation's** current charter contract, which is set to expire on June 30, 2020, and substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**Better Choice Foundation, Inc.**

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) 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. Also, the accompanying Schedule of Compensation, Benefits and Other Payments to the Principal 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 taken as a whole.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**Better Choice Foundation, Inc.**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2020, on our consideration of **the Foundation's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the Foundation's** internal control over financial reporting and compliance.

  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

June 8, 2020

**BETTER CHOICE FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

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**ASSETS**

Cash (NOTES 1 and 7)	\$ 1,602,298
Cash held for others (NOTES 1, 3 and 7)	55,776
Grants receivable (NOTE 4)	410,702
Prepaid expenses	<u>29,273</u>
 Total assets	 <u><u>\$ 2,098,049</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable	\$ 127,659
Accrued liabilities	261,800
School activity funds (NOTE 3)	55,776
Due to funding agency	<u>56,335</u>
 Total liabilities	 <u>501,570</u>

Net Assets:

Without donor restrictions (NOTE 1)	<u>1,596,479</u>
 Total net assets	 <u>1,596,479</u>
 Total liabilities and net assets	 <u><u>\$ 2,098,049</u></u>

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



**BETTER CHOICE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**REVENUES**

Local sources	
Minimum Foundation Program (NOTES 1 and 10)	\$ 3,380,683
Interest	6,697
Other	<u>67,555</u>
Total local sources	<u>3,454,935</u>
State sources	
Minimum Foundation Program (NOTES 1 and 10)	<u>2,070,181</u>
Total state sources	<u>2,070,181</u>
Federal grants (NOTE 1)	<u>1,198,077</u>
Total revenues	<u>6,723,193</u>

**EXPENSES**

Program services	3,447,760
Supporting services	<u>3,102,501</u>
Total expenses	<u>6,550,261</u>
Change in net assets	172,932
Net assets without donor restrictions, beginning of year	<u>1,423,547</u>
Net assets without donor restrictions, end of year	<u><u>\$ 1,596,479</u></u>

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

**BETTER CHOICE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	PROGRAM SERVICES	SUPPORTING SERVICES	
	Instruction	Management and General	Total
Salaries and wages	\$ 2,661,344	\$ 1,122,731	\$ 3,784,075
Employee health insurance and retirement	288,107	121,542	409,649
Payroll taxes	225,956	95,323	321,279
Total salaries and wages, and fringe benefits	3,175,407	1,339,596	4,515,003
Purchased professional and technical services	122,674	192,255	314,929
Purchased property services	-	179,200	179,200
Student transportation services	-	549,226	549,226
Insurance	-	57,581	57,581
Communications	-	21,022	21,022
Food service management	-	360,371	360,371
Other purchased services	10,165	7,634	17,799
Supplies and materials	103,542	154,264	257,806
Utilities	-	127,122	127,122
MFP fees	-	99,705	99,705
Travel	25,212	2,861	28,073
Miscellaneous	10,760	11,664	22,424
Total expenses	<u>\$ 3,447,760</u>	<u>\$ 3,102,501</u>	<u>\$ 6,550,261</u>

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

**BETTER CHOICE FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 172,932
Changes in assets and liabilities:	
Decrease in grants receivable	(177,068)
Increase in prepaid expense	13,521
Increase in accounts payable	(91,292)
Decrease in accrued liabilities	88,120
Decrease in school activity funds	11,353
Decrease in due to funding agency	(3,776)
Net cash used in operating activities	<u>13,790</u>
 Increase in cash	 13,790
 Cash, beginning of year	 <u>1,644,284</u>
 Cash, end of year	 <u><u>\$ 1,658,074</u></u>

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

**BETTER CHOICE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

The **Better Choice Foundation, Inc. (the Foundation)** was awarded a Type 5 charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2013 to operate a public charter school d/b/a Mary D. Coghill Accelerated Charter School (Coghill). The charter for Coghill was approved for an initial three (3) year period and subject to renewal following the end of the initial operating period. On June 22, 2016, BESE approved the transfer of Coghill from the jurisdiction of the Louisiana Recovery School District to Orleans Parish School Board (OPSB) as a Type 3B charter school, with independent Local Education Agency status. The effective date of the transfer is July 1, 2016 and expires June 30, 2020, unless terminated or extended pursuant to the terms of the transfer agreement between **the Foundation** and OPSB, dated July 1, 2016 (see NOTE 13 regarding going concern status).

**The Foundation** seeks to provide education services according to the educational standards established by law, the charter contract and the charter proposal; measures pupil progress toward stated goals; and participates in pupil assessments as required by law, regulation and BESE policy.

The mission of **the Foundation** is to educate, empower and motivate underprivileged children within Orleans Parish to be future leaders by infusing the latest technological resources while creating an educational environment that fosters academic excellence, encourages social competence and challenges young minds to exceed the highest levels of educational expectations in every academic field.

During the 2018-2019 school year, **the Foundation** provided educational services to students in kindergarten through eighth grades, with a total enrollment at Coghill of 598.

Basis of Accounting

**The Foundation's** financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

**BETTER CHOICE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Fixed Assets

Fixed assets of **the Foundation** with a unit cost of \$5,000 or more are recorded as assets (capitalized) and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided utilizing the straight-line method over the estimated useful life of the asset, generally 3 to 8 years for improvements and for other property and equipment.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

At June 30, 2019, **the Foundation** had no fixed assets.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenditures are made by **the Foundation**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less. **The Foundation** had no cash equivalents at June 30, 2019.

**BETTER CHOICE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Income Taxes

**The Foundation** is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. **The Foundation** files as a tax-exempt organization. Should that status be challenged in the future, **the Foundation's** 2018, 2017 and 2016 tax years are open for examination by the IRS.

Financial Statement Presentation

During the 2019 fiscal year, **the Foundation** has implemented the guidance under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which amends the previous standard for external financial reporting by not-for-profit organizations. Under ASU 2016-14, **the Foundation** classifies resources for financial accounting and reporting purposes into two net asset categories: without donor restrictions and with donor restrictions. A description of the two net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. Grants and contributions without donor restrictions, other income and expenses incurred in conducting the mission of **the Foundation** are included in this category.
- Net assets with donor restrictions include grants and contributions for which donor-imposed time and/or purpose restrictions have not been met.

At June 30, 2019, **the Foundation** had no net assets with donor restrictions.

**BETTER CHOICE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenue and Support

Grants and contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Minimum Foundation Program (MFP)

As a Type 3B charter school, **the Foundation** received funding from OPSB in an amount based on estimated daily attendance at the schools. The amount of funding received is adjusted during the school year based on October 1<sup>st</sup> and February 1<sup>st</sup> student counts and the result of any audits performed.

Other Funding

Other revenues received consist of federal and state grants, and other revenue sources.

Budgetary Data

**The Foundation** formally adopts an annual budget. The budgetary data is submitted to the State of Louisiana, Department of Education for approval.

**BETTER CHOICE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - FUNCTIONAL ALLOCATION EXPENSES:

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying Statement of Activities.

NOTE 3 - SCHOOL ACTIVITY FUNDS:

**The Foundation** maintains separate bank accounts for school activities. These accounts are collected for various activities from students and parents and are restricted for their collected purpose. Should those funds not be used for the intended purpose, the funds may be returned to the students and parents from whom they were collected. Restricted school activity funds totaled \$55,776 at June 30, 2019 and were reported as cash held for others and liabilities.

NOTE 4 - GRANTS RECEIVABLE:

At June 30, 2019, grants receivable consisted of the following:

Child Nutrition Program	\$ 20,695
Title II	22,976
Title I	239,055
Title IV	19,009
SRCL	24,567
IDEA, Preschool	9,718
IDEA, Part B	<u>74,682</u>
	\$ <u>410,702</u>

NOTE 5 - IN-KIND CONTRIBUTIONS

**The Foundation** received rent-free use of school buildings from the Louisiana Recovery School District and rent-free use of furniture and equipment. The estimated values of the buildings, furniture and equipment were not readily determinable and no amounts have been recorded in the accompanying financial statements.



**BETTER CHOICE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 5 - IN-KIND CONTRIBUTIONS (CONTINUED):

**The Foundation** also receives donated services from a number of unpaid volunteers assisting **the Foundation** with its programs, activities, and operations. An estimated value of these services cannot be reasonably determined as a result of the variety of services provided by the varying qualifications of the volunteers. Because the criteria for recognition under FASB ASC Section 958-605 have not been satisfied, these donated services have not been recorded in the financial statements.

NOTE 6 - RETIREMENT SYSTEM:

**The Foundation** has a 401(k) Profit Sharing Plan that provides for a discretionary matching contribution. The matching contribution was 50% in June 30, 2019 of each participant's contribution, up to 6% of each employee's compensation.

For the year ended June 30, 2019, **the Foundation's** contributions to this plan totaled \$32,682.

NOTE 7 - CONCENTRATION OF CREDIT RISK:

**The Foundation** maintains non-interest bearing accounts at a local bank. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage on deposit accounts for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. Total uninsured cash balances at June 30, 2019 were \$1,435,387.

NOTE 8 - RISK MANAGEMENT:

**The Foundation** is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **the Foundation** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**BETTER CHOICE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 9 - Liquidity and Availability of Financial Assets:

**The Foundation** maintains adequate operating reserves. The current financial assets totaled \$2,013,000 are available for general expenditures, that is, without donor or other restrictions limiting their use.

NOTE 10 - CONCENTRATION OF REVENUE SOURCE:

**The Foundation's** primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. **The Foundation** receives a State allocation and a local allocation per eligible student in attendance at the official pupil count date of October 1<sup>st</sup> and February 1<sup>st</sup>, each year.

MFP revenue accounts for 81% of **the Foundation's** total support for the year ended June 30, 2019. State and federal grants are on a cost-reimbursement basis and account for 18% of **the Foundation's** total support for the year ended June 30, 2019. If the amount of revenue received should fall below budgeted award levels, **the Foundation's** operating results could be adversely affected (See NOTE 13).

NOTE 11 - CONTINGENCY:

**The Foundation** is a recipient of grants from the state, local and federal funding agencies. The grants are governed by various state, local and federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **the Foundation** and are subject to audit and/or review by grantors. Any grant found to be not properly spent in accordance with the terms, conditions, and regulations of the state, local and federal agencies may be subject to recapture.

NOTE 12 - BOARD OF DIRECTORS' COMPENSATION:

The Board of Directors of **the Foundation** is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2019.

**BETTER CHOICE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 13 - GOING CONCERN:

The Orleans Parish School Board (OPSB) held a board meeting on December 19, 2019 to vote on whether to override OPSB's Superintendent's decision to not renew the current charter contract of **the Foundation** to operate Coghill Charter School. According to OPSB's interpretation of the result of the vote, OPSB board members failed to override the Superintendent's decision to not renew the current charter contract of **the Foundation**. Therefore, **the Foundation's** current charter contract would expire June 30, 2020.

**The Foundation** filed a lawsuit in Federal court for the court to rule that OPSB's Superintendent in the matter of the charter contract renewal of **the Foundation** exceeded his authority and should not deny a charter contract renewal for **the Foundation** for a period to begin on July 1, 2020. As of the date of the auditors' report, this lawsuit is pending.

As a consequence of Superintendent's decision not to renew **the Foundation's** current charter contract to operate Coghill Charter School and should the related lawsuit referred to above be dismissed, **the Foundation** will sustain a significant loss of revenue sources consisting of MFP funding and State and Federal grant revenues. The loss of these revenue sources would occur in **the Foundation's** 2020-2021 fiscal year.

Whether or not **the Foundation** receives a favorable ruling on its lawsuit against OPSB and **the Foundation** to continue to operate Coghill Charter School past the current expiration date of June 30, 2020, is uncertain. These uncertainties cast doubt upon **the Foundation's** ability to continue as a going concern.

**BETTER CHOICE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 14 - SUBSEQUENT EVENTS:

**The Foundation** is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **The Foundation** performed such an evaluation through June 8, 2020, the date which the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused school disruption through state mandated closings of all schools in the State of Louisiana. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closing. Therefore, **the Foundation** expects this matter may have negative impact on its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 15 - NEW PRONOUNCEMENTS:

The FASB also issued Accounting Standards Update No. 2016-02 affecting ASC 842, *Leases*, which provides guidance for any entity that enters into a lease (as defined in this Update), with some specified scope exemptions. The guidance in this Update supersedes ASC 840 *Leases*. The primary objective of this Update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. **The Foundation** is currently assessing the impact of this new pronouncement on its financial statements.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**SCHEDULE I**

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Education</u></b>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<i><u>Passed-Through: LA State Department of Education</u></i>		
IASA Title I, Part A	84.010	\$ 563,767
IASA Title II, Part A	84.367	63,823
IASA Title IV	84.424	42,445
Striving Readers Comprehensive Literacy	84.371	24,567
IDEA, Preschool	84.173	127,768
IDEA, Part B	84.027	9,718
Total LA State Department of Education		832,088
<b>Total U.S. Department of Education</b>		832,088
<b><u>U.S. Department of Agriculture</u></b>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<i><u>Passed-Through: LA State Department of Education</u></i>		
Child Nutrition Cluster:		
National School Lunch Program and Breakfast Program	10.555, 10.553	365,989
<b>Total U.S. Department of Agriculture</b>		365,989
<b>Total Expenditures of Federal Awards</b>		\$ 1,198,077

NOTE: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Foundation under programs of the federal government for the year ended June 30, 2019 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic financial statements. The Foundation elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See independent auditors' report on supplementary information.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF COMPENSATION, BENEFITS AND**  
**OTHER PAYMENTS TO THE PRINCIPAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Principal Name:** Ms. Pamela Marshal

<u>Purpose</u>	<u>Amount</u>
Salary	\$90,000
Benefits – insurance	5,331
Benefits – retirement	2,017
Bonus	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
License fees	-0-
Unvouchered expenses	-0-
Stipends	-0-
Special meals	-0-

See independent auditors' report on supplementary information.



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

To the Board of Directors of  
**Better Choice Foundation, 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 the **Better Choice Foundation, Inc. (the Foundation)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 8, 2020.

**Internal Control Over Financial Reporting**

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

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

**Internal Control Over Financial Reporting, Continued**

*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. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 as items 2019-001 to 2019-007 that we consider to be significant deficiencies.



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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **the Foundation'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-004, 2019-006 and 2019-007 .

**The Foundation's Response to Finding**

**The Foundation's** responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **The Foundation's** responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **the Foundation'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 Foundation's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

June 8, 2020



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

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

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To the Board of Directors of  
**Better Choice Foundation, Inc.**

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

We have audited the **Better Choice Foundation, Inc.'s (the Foundation)** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **the Foundation's** major federal programs for the year ended June 30, 2019. **The Foundation's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of **the Foundation'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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE, CONTINUED

---

*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 Foundation'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 qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **the Foundation's** compliance.

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

In our opinion, **the Foundation** 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 June 30, 2019.

**Report on Internal Control Over Compliance**

Management of **the Foundation** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **the Foundation's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **the Foundation'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



INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE, CONTINUED

---

possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

**Purpose of this Report**

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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

June 8, 2020

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

---

**SECTION I – SUMMARY AUDITORS’ RESULTS**

- A. Type of report issued on the financial statements: **Unmodified.**
- B. Did the audit disclose any material weaknesses in internal control over financial reporting? **No.**
- C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **Yes.**
- D. Did the audit disclose any non-compliance which is material to the financial statements? **Yes.**
- E. Did the audit disclose any material weaknesses in internal control over major federal programs? **No.**
- F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **None Reported.**
- G. Type of report issued on compliance for major programs: **Unmodified.**
- H. Did the audit disclose any audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? **No.**
- I. Was a management letter issued? **No.**

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS, CONTINUED**

J. Identification of Major Programs:

**United States Department of Education**

84.173, 84.027 - Special Education Cluster

**United States Department of Agriculture**

10.555, 10.553 - Child Nutrition Cluster

K. Dollar threshold used to distinguish between Type A and Type B Programs:

**\$750,000**

L. Auditee qualified as a "low-risk" auditee: **No.**

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Section II - FINANCIAL STATEMENT FINDINGS**

**2019-001     Submission of Audit Report**

**Criteria**

Management of **the Foundation** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

LSA-RS 24:513 (A)(5)(I) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request, based only on a natural disaster, to file the audit report with the Louisiana Legislative Auditor by a specific date.

**Condition**

The June 30, 2019 audited financial statements were not submitted to the Legislative Auditor by the statutory due date of December 31, 2019.

**Cause**

**The Foundation** decided to challenge the Superintendent of NOLA Public Schools' decision to not renew its charter at the end of the 2018-2019 school year. **The Foundation** appealed to the seven-member Orleans Parish School Board that voted 4 to 2 to reject the Superintendent's recommendation. Legal action was needed when the Superintendent took the position that the vote was not binding because all seven members were not present.

**The Foundation** filed for an extension to submit the audit report with the Office of the Legislative Auditor. **The Foundation's** auditors were notified that the extension was granted until June 30, 2020.



**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-001    Submission of Audit Report, Continued**

**Effect**

An audit report filed with or without an approved extension from the Legislative Auditor after the six (6) months' timeframe for any reason other than for a natural disaster is a violation of the State audit completion and submission law.

**Recommendation**

We recommend that management establishes a well-defined financial close and reporting process. The process and its key attributes (e.g. overall timing, format and frequency of analyses) are formally documented, approved and reviewed on a regular basis. We believe once this well-defined process is established, followed and monitored for its effectiveness, reliable and timely financial statements will be prepared for the use of management and the board, and completed and submitted to the Louisiana Legislative Auditor within the required timeframe.

**Management's Response**

**The Foundation** believes the financial close and reporting process would have allowed the audit report submission to have been on time if the constant interruptions created by NOLA Public Schools, as part of its efforts to take back the charter, requesting current year schedules, reconciliations, and pulling of supporting documents had not interfered with staff's preparation for the annual audit of the prior year. The legal action taken as described in the previous section also prevented the timely submission.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-002     Documented Reviews and Approvals**

**Criteria**

Management of **the Foundation** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

**Condition**

We noted during our audit that the following control procedures were not documented with supervisory reviews and approvals:

- journal entry;
- processing and the payment of payroll;
- bank reconciliation;
- reconciliation of IRS Form 941 salary information to salaries per general ledger; and
- credit card charges of authorized cardholders.

**Cause**

**The Foundation** does not have written policies and procedures that require certain control activities to be documented with reviews and approvals.

**Effect**

Possible material misstatements or other errors due to fraud may occur without adequate internal controls.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-002 Documented Reviews and Approvals, Continued**

**Recommendation**

We continue to recommend that **the Foundation** immediately establish internal controls that require documented reviews and approvals for the payment of payroll, journal entries, bank reconciliation, quarterly IRS Form 941 reconciliation of salaries and credit card charges.

**Management's Response**

**The Foundation** recognized during the school year that the business manager did not submit reconciliations and other documents to senior management for supervisory reviews and approvals. **The Foundation** will initiate procedures that require documented reviews and approvals for: (1) payment of payroll; (2) journal entries; (3) bank reconciliation; (4) reconciliation of salaries to 941 Forms on a quarterly basis; and (5) credit card charges and distribution of charges.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-003      Cash Disbursements**

**Criteria**

Management of **the Foundation** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

**Condition**

Based on our testwork, we noted the following:

- Five (5) of eighty (80) tested transactions the recorded amount did not agree to supporting documentation, such as, invoices;
- One (1) of eighty (80) tested transactions **the Foundation** could not locate the supporting documentation, such as, an invoice;
- Three (3) of eighty (80) tested transactions were not recorded to the proper accounts;
- Nine (9) of eighty (80) tested transactions were processed without an approved purchase order; and
- Ten (10) of eighty (80) tested transactions were processed without an approved check request.

**Cause**

**The Foundation** failed to follow established policies and procedures.

**Effect**

Potentially fraudulent activities could occur and not be detected with the failure to adhere to purchasing/disbursement procedures.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-003    Cash Disbursements, Continued**

**Recommendation**

We recommend that **the Foundation** immediately adhere to current procedures that require all cash disbursements to be supported with source documentation and an approved check request document and an approved purchase order form, as applicable, prior to a payment is made to a payee.

**Management's Response**

Management has added positive pay as an additional control over cash disbursements with the Head of School having sole control over checks to be paid by the bank. Procedures for reviewing supporting documents for each cash disbursement will be adhered to.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-004     Code of Ethics Law**

**Criteria**

No member of the immediate family of any member of the governing or management board of the charter school has been employed by the charter school under circumstances that would constitute a violation of R.S. 42:1119, except as applies to any person employed by the charter school prior to August 15, 2003.

**Condition**

We noted during **the Foundation's** June 30, 2019 fiscal year that two (2) of **the Foundation's** Board of Directors each had an immediate family member employed at **the Foundation** in violation of R.S. 42:1119.

**Cause**

During the June 30, 2019 fiscal year, **the Foundation** did not have policies and procedures in place to prevent violations of R.S. 42:1119.

**Effect**

**The Foundation** is in violation of R.S. 42:1119.

**Recommendation**

We recommend that **the Foundation** implement control procedures to ensure that nepotism laws of Louisiana public officers and employees are not violated.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

---

**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-004    Code of Ethics Law, Continued**

**Management's Response**

In one instance, the Board member resigned from the Board of Directors. In the other instance, the employee resigned. **The Foundation** will implement control procedures to ensure that nepotism laws of Louisiana public officers and employees are not violated.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Section II - FINANCIAL STATEMENT FINDINGS**

**2019-005     Purchases**

**Criteria**

Management of **the Foundation** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

Activities allowed or unallowed are contained in the program legislation or, as applicable, Federal awarding regulations, and the terms and conditions of the award.

**Condition**

We noted **the Foundation** purchased three (3) computers in one (1) procurement transaction totaling \$5,892.00 without documented Board of Directors' approval. Also, these computers were purchased with Title IV SSAE funds; however, the computers were used for general purposes in the school's computer lab and not used for the allowed Title IV grant purpose.

**Cause**

**The Foundation** did not adhere to its purchasing policies and procedures for obtaining the Board of Directors' approval for a purchase \$5,000.00 or greater. Also, internal control procedures relating to the purchase of the computers discussed above were ineffective to ensure compliance with activities allowed or unallowed federal compliance requirements.

**Questioned Costs**

\$5,892.00



**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-005 Purchases, Continued**

**Effect**

**The Foundation** did not adhere to its purchasing policies and procedures by not documenting the Board of Directors' approval of a purchase in excess of \$5,000. Also, **the Foundation** is in noncompliance of allowed activities compliance requirements by not using the computers for the allowed grant purposes.

**Recommendation**

We recommend that **the Foundation** adhere to its purchases policies and procedures and ensure that all purchases in excess of \$5,000 are documented with the Board of Directors' approval. Also, we recommend that **the Foundation** strengthen its internal controls over the activities allowed or unallowed compliance requirements to ensure that all grant activities meet the requirements of granting agencies.

**Management's Response**

New procurement policies and procedures were adopted by **the Foundation's** Board after year-end and will be implemented in the current year. In addition, the use of the computers purchased was changed to conform to allowable grant purposes.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Section II - FINANCIAL STATEMENT FINDINGS**

**2019-006     Advanced Funds**

**Criteria**

Management of **the Foundation** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

Section 14.(A) of Article VII, Section 14 of the 1974 Louisiana Constitution - Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

**Condition**

**The Foundation** issued two (2) checks to a member of the Board of Directors in the amount of \$100.00 and \$500.00 on February 8, 2019 and March 29, 2019, respectively. The initial purpose of these disbursements to the board member was to reimburse him for meals provided to **the Foundation's** leadership team as appreciation for their school work. The actual dates of these appreciation meals occurred much later than the issuance of the checks to the board member, and therefore, we considered the initial disbursements to the board member to be advancements of public funds. The final costs of these appreciation meals were less than the amounts the board member initially received of \$100.00 and \$500.00 and the board member reimbursed **the Foundation** the unspent monies in the amount of \$185.00 in total.

**Cause**

During the June 30, 2019 fiscal year, **the Foundation** did not have policies and procedures in place to prevent violations of Section 14.(A) of Article VII, Section 14 of the 1974 Louisiana Constitution.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-006     Advanced Funds, Continued**

**Effect**

**The Foundation** may be in violation of Article VII, Section 14 of the 1974 Louisiana Constitution.

**Recommendation**

We recommend that **the Foundation** implement policies and procedures to prohibit the advancement of public funds to an employee to cover anticipated reimbursable business expenses.

**Management's Response**

**The Foundation's** Board and management view this as an isolated case and not a normal practice for business operations. The entire situation could have been avoided if a credit card was used for the purchases. **The Foundation's** Board and management will review cash disbursement and purchasing policies to ensure that policies prohibit loans and advances from public funds.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

---

**Section II - FINANCIAL STATEMENT FINDINGS**

**2019-007     Use of Public Funds**

**Criteria**

Section 14.(A) of Article VII, Section 14 of the 1974 Louisiana Constitution - Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

**Condition**

In the 2019 fiscal year, **the Foundation** held a teachers' appreciation day party using public funds to cover the costs of the party. The total cost of this party was \$8,710.00. Expenses included gift cards, catering and \$260.00 in alcohol purchases.

**Cause**

During the June 30, 2019 fiscal year, **the Foundation** did not have policies and procedures in place to prevent violations of Section 14.(A) of Article VII, Section 14 of the 1974 Louisiana Constitution.

**Questioned Costs**

\$8,710.00

**Effect**

**The Foundation** may be in violation of Article VII, Section 14 of the 1974 Louisiana Constitution.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Section II - FINANCIAL STATEMENT FINDINGS, CONTINUED**

**2019-007 Use of Public Funds, Continued**

**Recommendation**

We recommend that **the Foundation** implement policies and procedures to prohibit the use of public funds for donations in violation of the Louisiana Constitution.

**Management's Response**

**The Foundation's** Board and management view this as a mistake in judgment when the event was paid from "Operating" bank account. The funds used have been transferred from the "Fundraising" bank account (non-public funds) to the "Operating" bank account to reimburse the public funds used. Policies and procedures will be established to prevent the use of public funds for gifts and donations.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**SECTION III - FINDINGS AND QUESTIONED COSTS  
RELATED TO FEDERAL AWARDS**

<u>Description</u>	<u>Questioned Costs</u>
We noted <b>the Foundation</b> purchased three (3) computers in one (1) procurement transaction totaling \$5,892.00 without documented Board of Directors' approval. Also, these computers were purchased with Title IV SSAE funds; however, the computers were used for general purposes in the school's computer lab and not used for the allowed Title IV grant purpose. See accompanying Schedule of Findings and Questioned Costs, Section II, Finding Number 2019-005.	\$5,892.00

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

---

**SECTION I - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**2018-001 - Financial Close and Reporting Process/Submission of Audit Report**

We recommended that management establishes a well-defined financial close and reporting process. The process and its key attributes (e.g. overall timing, format and frequency of analyses) are formally documented, approved and reviewed on a regular basis. We believe once this well-defined process is established, followed and monitored for its effectiveness, reliable and timely financial statements will be prepared for the use of management and the board, and completed and submitted to the Louisiana Legislative Auditor within the required timeframe.

**Current Status**

Unresolved. See current year finding 2019-001.

**2018-002 - Documented Reviews and Approvals**

We recommended that **the Foundation** immediately establish internal controls that require documented reviews and approvals for the payment of payroll, payment of termination pay to employees, bank reconciliation, quarterly 941 reconciliation of salaries and credit card charges.

**Current Status**

Unresolved. See current year finding 2019-002.

**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,**  
**CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

---

**SECTION I - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED**

**2018-003 - Cash Disbursements**

We recommended that **the Foundation** immediately adhere to current procedures that require all cash disbursements to be supported with source documentation and an approved check request document and an approved purchase order form, as applicable, prior to a payment is made to a payee.

Additionally, we recommended **the Foundation** follow its current procedures that require two (2) authorized check signors to sign checks greater than or equal to \$5,000.

**Current Status**

Unresolved. See current year finding 2019-003.

**2018-004 - Material Misstatement**

We recommended that **the Foundation** take the necessary steps to update their current financial reporting control procedures to ensure that **the Foundation's** financial statements prepared monthly and annually are reliable and accurate.

**Current Status**

Resolved.



**BETTER CHOICE FOUNDATION, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS,**  
**CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**SECTION II - FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**

**2018-005 - Procurement Standards**

**Title I**

We recommended that **the Foundation** update its written procedures for procurement transactions and to follow the required procurement method depending on the aggregate dollar amount of the purchase acquisition of supplies, services or other property to ensure compliance with all procurement standards set forth at 2 CFR Sections 300.318 through 326.

**Current Status**

Resolved.

**SECTION III - MANAGEMENT LETTER COMMENTS**

No comments reported.

**BETTER CHOICE FOUNDATION, INC.**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

---

To the Board of Directors of  
**Better Choice Foundation, Inc.**,  
the Louisiana Department of Education,  
and the Louisiana Legislative Auditor

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by management of **Better Choice Foundation, Inc. (the Foundation)**, the Louisiana Department of Education and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of **the Foundation** for the fiscal year ended June 30, 2019, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education in compliance with Louisiana Revised Statute 24:514 I. Management of **the Foundation** is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 3 to 5 either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. 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 the performance and statistical data. 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.

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES

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(CONTINUED)

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of **the Foundation**, as required by Louisiana Revised Statute 24:514 I, and the results 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 Louisiana Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

June 8, 2020

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

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**(CONTINUED)**

**PROCEDURES AND FINDINGS**

Our procedures and associated findings are as follows:

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

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

*We noted three (3) of twenty-five (25) transactions tested were incorrectly classified.*

**Management Response**

**The Foundation** recognized during the school year that the business manager did not possess the accounting skills necessary for that position. The fact that transactions were not properly classified in accordance with the L.A.U.G.H. Guide and supporting documentation was not always filed properly were examples of some of our concerns that resulted in the business manager being replaced.

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

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**(CONTINUED)**

**PROCEDURES AND FINDINGS, CONTINUED**

**Class Size Characteristics (SCHEDULE 2, formerly SCHEDULE 6)**

2. We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1, 2018 roll books for those classes and observed that the class was properly classified on the schedule.

*No differences noted.*

**Education Levels/Experience of Public School Staff (No Schedule)**

3. We obtained the October 1<sup>st</sup> PEP data submitted to the Department of Education, including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data.

*We noted that the Foundation had inaccurately reported the years of experience of five (5) of the twenty-five (25) individuals tested and inaccurately reported the education level of four (4) of the twenty-five (25) individuals tested.*

**Management Response**

Procedures have been put in place to ensure that the level of education and experience of public school staff are properly stated and classified before the PEP data is submitted to the Department of Education.

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

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**(CONTINUED)**

**PROCEDURES AND FINDINGS, CONTINUED**

**Public School Staff Data: Average Salaries (No Schedule)**

4. We obtained the June 30<sup>th</sup> PEP data submitted to the Department of Education of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtain management's representation that the data is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data.

*In nine (9) of twenty-five (25) tested, we noted the salary amount reported on the June 30, 2019 PEP report did not in agree with the salary in the individual personnel file.*

**Management Response**

Procedures have been implemented after hiring a new human resources manager to review all personnel files to ensure that all required documents are in each employee's folder and that each employee's file contains correct salary documentation for the school year.



**BETTER CHOICE FOUNDATION, INC.**  
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -  
PERFORMANCE AND STATISTICAL DATA)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**SCHEDULE 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum, Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**SCHEDULE 2 - Class Size Characteristics (formerly SCHEDULE 6)**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20; 21-26, 27-33, and 34+ students.

**BETTER CHOICE FOUNDATION, INC.**  
**General Fund Instructional and Support Expenditures**  
**and Certain Local Revenue Sources**  
**For the Year Ended June 30, 2019**

**General Fund Instructional and Equipment Expenditures**

## General Fund Instructional Expenditures:

## Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 1,695,078	
Other Instructional Staff Activities	292,642	
Employee Benefits	585,179	
Purchased Professional and Technical Services	106,611	
Instructional Materials and Supplies	25,878	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	<u>2,705,388</u>	2,705,388

Other Instructional Activities		2,274
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Pupil Support Activities	113,578	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities	<u>113,578</u>	113,578

Instructional Staff Services	376,479	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	<u>376,479</u>	376,479

School Administration	369,193	
Less: Equipment for School Administration	-	
Net School Administration	<u>369,193</u>	369,193

Total General Fund Instructional Expenditures	<u>\$ 3,566,912</u>	
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Total General Fund Equipment Expenditures	<u>\$ -</u>	
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**Certain Local Revenue Sources**

## Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	-
Total Local Taxation Revenue	<u>\$ -</u>

## Local Earnings on Investment in Real Property:

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

## State Revenue in Lieu of Taxes:

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

Nonpublic Textbook Revenue	<u>\$ -</u>
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Nonpublic Transportation Revenue	<u>\$ -</u>
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See accompanying independent accountants' report on applying agreed-upon procedures.

**Better Choice Foundation, Inc.**  
**Class Size Characteristics**  
**As of October 1, 2018**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	30.69%	62	58.42%	118	9.90%	20	0.99%	2
Elementary Activity Classes	19.23%	5	57.69%	15	19.23%	5	3.85%	1
Middle/Jr. High	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Middle/Jr. High Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
High	0.00%	0	0.00%	0	0.00%	0	0.00%	0
High Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination	0.00%	0	0.00%	0	0.00%	0	4.00%	0
Combination Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0

**Note:** The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

**BETTER CHOICE FOUNDATION, INC.**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2019**



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

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To the Board of Directors of **Better Choice Foundation**  
and Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by **Better Choice Foundation (the Foundation)** and the Louisiana Legislative Auditor (LLA), on the control and compliance areas identified in the LLA's Statewide Agreed-upon Procedures (SAUPs), and certain additional procedures requested by the Board of Directors of **the Foundation**, for the year ended June, 30, 2019 ("fiscal period"). **The Foundation's** management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was performed 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 the report. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 2 to 11 either for the purpose for which this report has been requested or for any other purpose.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**PROCEDURES AND FINDINGS**

Our procedures and findings related to the agreed-upon procedures are as follows:

***Written Policies and Procedures***

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1. We obtained and inspected the **Foundation'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.

*No exceptions were noted.*

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.

*We noted the purchasing policy does not address (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.*

**Management's Response**

New procurement policies and procedures were adopted by **the Foundation's** Board after year-end and will be implemented in the current year.

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

*No exceptions were noted.*

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).

*We noted the receipts/collections policy does not address preparing deposits and does not include management's actions to determine the completeness of all collections for each type of revenue.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

**Management's Response**

Management will solicit recommended policies and procedures from the auditors that will strengthen this area.

- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*No exceptions were noted.*

- 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.

*We noted the contracting policy does not address (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.*

**Management's Response**

Management will request the auditors to review the new procurement policies and procedures to determine if the "contracting" is adequately addressed and, if not, to suggest additional policies and procedures that will strengthen the controls in this area.

- 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).

*No exceptions were noted.*

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

*We noted the travel and expense reimbursement policy does not address (1) allowable expenses, and (2) dollar thresholds by category of expense.*

**Management's Response**

New travel policies and procedures were adopted by the Board after the year end audit. Management believes the new policies and procedures, which include using the **Louisiana State Employees Travel Pocket Guide**, address the areas of concern.

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

- 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.

*We noted that the Foundation does not have an ethics policy that addresses (1) the prohibitions 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 Foundation's ethics policy.*

**Management's Response**

Management will seek the auditors' assistance and that of legal counsel in developing an 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.

*Debt service is not applicable; the Foundation had no debt during the fiscal period.*

- k) *Disaster Recovery/Business Continuity*, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*The Foundation's policies and procedures does not include (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.*

**Management Response**

Management will seek assistance in developing a disaster recovery/business continuity policies and procedures document that addresses each of the areas of concern identified in the finding.



**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

***Bank Reconciliations***

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3. We obtained 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 **Foundation's** main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

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

*We noted one (1) bank reconciliation did not include evidence that it was prepared within 2 months of the related statement closing date.*

**Management's Response**

Management will emphasize to staff that each bank account must be reconciled on a timely basis; within fifteen (15) days after the end of the month.

- 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);

*We noted bank reconciliations did not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks had been reviewed for four (4) of the four (4) tested bank accounts.*

**Management's Response**

Management will implement the procedure of reviewing and documenting the review of each bank reconciliation.

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

*Collections*

---

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

*No exceptions were noted.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

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

a) Observe that receipts are sequentially pre-numbered.

*No exceptions were noted.*

b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*No exceptions were noted.*

c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions were noted.*

d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

*We noted that one (1) of the four (4) deposits selected were not deposited within one (1) business day of receipt at the collection location.*

**Management's Response**

Whereas one exception can be due to many unforeseen things occurring in the school day, management will emphasize to the accounting staff that all deposits be made within one business day of receipt.

e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

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

---

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

*No exceptions were noted.*

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

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*No exceptions were noted.*

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

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

- 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.

*No exceptions were noted.*

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

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

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

*No exceptions were noted.*

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

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

*No exceptions were noted.*

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

*We noted that four (4) of the four (4) cards selected the monthly statement and supporting documentation were not evidenced with approval.*

**Management's Response**

Credit cards are not currently being used. Management will implement control procedures to be used in this area in the event credit cards are used in the future. Policies and procedures were established after the fiscal year audited to address these concerns, including documented review and approval.

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

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

*We noted the following from the four (4) transactions selected from the four (4) P-Cards:*

- *Four (4) transactions for hotel charges in the amount of \$247.00 each were not supported by an itemized receipt; and*
- *Four (4) transactions for hotel charges in the amount of \$247.00 each were not supported by documentation of a business purpose.*

**Management's Response**

As indicated previously, credit cards are not currently being used. Policies and procedures were established after the fiscal year audited to address these concerns.

**Ethics**

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14. Using the 5 randomly selected employees/officials from payroll records and obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*We noted the Foundation did not have documentation to demonstrate each employee/official completed one hour of ethics training during the fiscal period for two (2) of the five (5) employees tested.*

**Management's Response**

Management acknowledged the need for personnel files to contain the required documentation. A new human resources manager was hired in the current year and instructed to review each personnel file and make sure any missing documentation was secured. Documentation of each employee and board member completing one hour of ethics training during the fiscal period was mandated.

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)

- 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.

*We noted that the Foundation does not have a policy for employees to attest through signature verification that he or she has read the entity's ethics policy during the fiscal period.*

Management's Response

Management will establish a policy that requires each employee on an annual basis to attest through signature verification that he or she has read **the Foundation's** ethics policy.

\*\*\*\*\*

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

The purpose of this report is solely to describe the scope of testing performed on those control and compliance 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 Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

June 8, 2020