

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

**COMBINED FINANCIAL STATEMENTS AND
AUDITOR'S REPORT**

September 30, 2017

ADVOCACY CENTER AND EIGHTH MUSE, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
COMBINED STATEMENT OF FINANCIAL POSITION	5
COMBINED STATEMENT OF ACTIVITIES	6
COMBINED STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION	
COMBINED STATEMENT OF ACTIVITIES - ADVOCACY CENTER AND EIGHTH MUSE, INC.	19
STATEMENT OF ACTIVITIES BY PROGRAM - ADVOCACY CENTER	20
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - ADVOCACY CENTER	25
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER	28
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	29
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	33
CORRECTION ACTION PLAN	

Justin J. Scanlan, C.P.A., T.T.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Advocacy Center and Eighth Muse, Inc.

Report on the Financial Statements

We have audited the accompanying combined financial statements of Advocacy Center and Eighth Muse, Inc. (non-profit organizations), which comprise the combined statement of the financial position as of September 30, 2017, and the related combined statements of activities 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Advocacy Center and Eighth Muse, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Advocacy Center and Eighth Muse, Inc.'s 2016 financial statements, and our report dated February 2, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial combined statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statement 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of Advocacy Center and Eighth Muse, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Advocacy Center and Eighth Muse, Inc.'s internal control over financial reporting and compliance.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
March 29, 2018

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

COMBINED STATEMENT OF FINANCIAL POSITION

September 30, 2017

	ASSETS	SUMMARIZED COMPARATIVE INFORMATION <u>SEPTEMBER 30, 2016</u>
Cash	\$ 558,388	\$ 606,564
Investment securities (Notes A4 and B)	904,105	1,003,501
Receivables		
Grants (Notes A5 and C)	647,264	343,944
Pledges, less allowances for doubtful accounts of \$2,226 (Notes A6 and D)	7,934	25,784
Other	<u>42,997</u>	<u>457,617</u>
	<u>698,195</u>	<u>827,345</u>
Prepaid expenses and deposits	43,124	33,126
Property, furniture and equipment - at cost (Notes A7 and E)	<u>1,209,091</u>	<u>1,247,714</u>
Total assets	<u>\$ 3,412,903</u>	<u>\$ 3,718,250</u>
LIABILITIES AND NET ASSETS		
Notes payable (Note F)	\$ 963,562	\$ 1,002,111
Accounts payable and accrued liabilities	141,518	115,649
Accrued vested annual leave benefits	<u>71,820</u>	<u>81,141</u>
Total liabilities	<u>1,176,900</u>	<u>1,198,901</u>
Commitments (Note G)	-	-
Net assets		
Unrestricted	1,332,425	1,304,563
Temporarily restricted (Note H)	<u>903,578</u>	<u>1,214,786</u>
Total net assets	<u>2,236,003</u>	<u>2,519,349</u>
Total liabilities and net assets	<u>\$ 3,412,903</u>	<u>\$ 3,718,250</u>

The accompanying notes are an integral part of this financial statement.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

COMBINED STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>SUMMARIZED COMPARATIVE INFORMATION For the year ended September 30, 2016</u>
REVENUE				
Grant appropriations	\$ -	\$ 3,242,745	\$ 3,242,745	\$ 3,490,203
Investment income (Note B)	4,556	9,102	13,658	23,904
Contributions	42,562	-	42,562	47,054
Attorney fees	-	79,608	79,608	629,997
Other	259,639	4,524	264,163	30,705
Net assets released from restrictions	<u>3,647,187</u>	<u>< 3,647,187 ></u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,953,944</u>	<u>< 311,208 ></u>	<u>3,642,736</u>	<u>4,221,863</u>
 EXPENSES				
Salaries	2,466,082	-	2,466,082	2,539,737
Fringe benefits	521,159	-	521,159	497,613
Travel	140,399	-	140,399	123,581
Operating services	291,285	-	291,285	243,634
Contractual services	244,482	-	244,482	203,245
Operating supplies	76,028	-	76,028	49,416
Other costs	139,451	-	139,451	133,253
Equipment expenses	<u>47,196</u>	<u>-</u>	<u>47,196</u>	<u>38,214</u>
Total expenses	<u>3,926,082</u>	<u>-</u>	<u>3,926,082</u>	<u>3,828,693</u>
 Increase <decrease> in net assets	27,862	< 311,208 >	< 283,346 >	393,170
 Net assets, beginning of year	<u>1,304,563</u>	<u>1,214,786</u>	<u>2,519,349</u>	<u>2,126,179</u>
 Net assets, end of year	<u>\$ 1,332,425</u>	<u>\$ 903,578</u>	<u>\$ 2,236,003</u>	<u>\$ 2,519,349</u>

The accompanying notes are an integral part of this financial statement.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

COMBINED STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

**SUMMARIZED
COMPARATIVE
INFORMATION
For the year ended
September 30, 2016**

Cash flows from operating activities:

Increase <decrease> in net assets	\$ < 283,346>	\$ 393,170
-----------------------------------	---------------	------------

Adjustments to reconcile decrease in net assets to net cash provided by <used in> operating activities:		
Depreciation	38,623	38,214
Unrealized <appreciation> depreciation of investments	4,827	< 3,695>
Allowance for doubtful accounts	< 1,650>	< 1,664>
<Gain> loss on sale of securities	317	14

Changes in assets and liabilities:		
<Increase> decrease in grants receivable	< 303,320>	180,479
<Increase> decrease in pledge receivables	19,500	16,970
<Increase> decrease in other receivable	414,620	< 457,111>
<Increase> decrease in prepaid expenses and deposits	< 9,998>	< 3,484>
Increase <decrease> in accounts payable and accrued liabilities	25,869	< 64,287>
Increase <decrease> in accrued vested annual leave benefits	<u>< 9,321></u>	<u>< 12,850></u>

Net cash provided by <used in> operating activities	<u>< 103,879></u>	<u>85,756</u>
--	-------------------------	---------------

Cash flows from investing activities:

Proceeds from liquidation of certificates of deposit	110,408	229,000
Purchase of certificates of deposit	< 16,156>	< 209,200>
Capitalization of building improvements	<u>-</u>	<u>< 22,261></u>

Net cash provided by <used in> investing activities	<u>94,252</u>	<u>< 2,461></u>
---	---------------	-----------------------

Cash flows from financing activities:

Payments of notes payable	<u>< 38,549></u>	<u>< 67,519></u>
---------------------------	------------------------	------------------------

Net cash provided by <used in> financing activities	<u>< 38,549></u>	<u>< 67,519></u>
--	------------------------	------------------------

Net increase <decrease> in cash and cash equivalent	< 48,176>	15,776
---	-----------	--------

Cash and cash equivalents, beginning of year	<u>606,564</u>	<u>590,788</u>
--	----------------	----------------

Cash and cash equivalents, end of year	\$ <u>558,388</u>	\$ <u>606,564</u>
--	-------------------	-------------------

Cash flow information:

Interest paid:	\$ <u>47,855</u>	\$ <u>62,734</u>
----------------	------------------	------------------

The accompanying notes are an integral part of this financial statement.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

The Advocacy Center was organized to protect and advocate for the human and legal rights of persons living in Louisiana who are elderly or disabled.

Eighth Muse, Inc. is a non-profit corporation organized under the laws of the State of Louisiana. The corporation was formed as a real estate holding company. Its primary purpose is the leasing of a commercial building that serves as the administrative and program offices of the Advocacy Center in New Orleans, Louisiana.

Advocacy Center's major program consists of advocacy and protection for individuals with developmental disabilities.

2. Presentation of Financial Statements

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

The net assets and changes therein are classified as follows:

Unrestricted Net Assets - Contributions and other revenue and expenses for the general operation of its programs.

Temporarily Restricted Net Assets - Contributions and other revenues specifically authorized by the donor or grantor to be used for specific purposes.

Permanently Restricted Net Assets - Contributions subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Corporation pursuant to those stipulations. There were no permanently restricted net assets.

The combined financial statements include the accounts of Advocacy Center and Eighth Muse, Inc. They are affiliated by virtue of common control. All significant intercompany transactions have been elemented in combination.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Revenue Recognition

For financial reporting the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grant revenue is earned in accordance with approved contracts.

4. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

5. Receivables

The corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

6. Promises to Give

Contributions are recognized when the donor makes a promise to give to the corporation that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All promises to give are recognized as assets, less an allowance for uncollected amounts, and revenues.

7. Property, Furniture and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line-method. Depreciation expense for the year ended September 30, 2017 totaled \$38,623.

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all highly liquid investments in money market funds and demand deposits to be cash equivalents.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

10. Fair Values of Financial Investments

Cash, cash equivalents, and temporary investments carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments. The fair values of marketable securities are based on quoted market prices for those or similar investments.

11. Functional Allocation of Expenses

The expense of providing the program and other activities have been summarized on a functional basis in Note M. Certain of those expenses have been allocated among the program and supporting services based on estimates by management of the costs involved.

12. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (March 29, 2018).

13. Summarized Comparative Information

Summarized comparative information is presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

NOTE B - INVESTMENT SECURITIES

Investment securities at September 30, 2017, consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>
Money market accounts - brokerage account	\$ 170,299	\$ 170,299
Certificates of Deposit	<u>735,267</u>	<u>733,806</u>
	<u>\$ 905,566</u>	<u>\$ 904,105</u>

The unrealized depreciation for the year ended September 30, 2017 totaled \$4,827 and the depreciation as of September 30, 2017 totaled \$1,461.

Investment income for the year consists of the following:

Interest income	\$ 18,802
Unrealized depreciation	< 4,827 >
Loss on sale of securities	<u>< 317 ></u>
	<u>\$ 13,658</u>

NOTE C - GRANTS RECEIVABLE

Grants receivable at September 30, 2017 consist of the following:

U. S. Department of Health and Human Services	\$ 154,415
U. S. Department of Education	48,875
State of Louisiana – Governor’s Office of Elderly Affairs	17,798
Social Security Administration	68,786
State of Louisiana – Department of Justice	250,525
City of New Orleans	82,018
Louisiana Bar Foundation	14,314
New Orleans Council on Aging, Inc.	4,750
Corporation for National and Community Services	<u>5,783</u>
	<u>\$ 647,264</u>

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

NOTE D - PLEDGE RECEIVABLES

The Advocacy Center has received pledges from individuals supporting the mission of the corporation. As of September 30, 2017, these unconditional promises to give totaled \$7,934. These pledges are due between one and four years.

The pledge receivables at September 30, 2017 are as follows:

Gross unconditional promise to give	\$ 8,510
Less allowance for doubtful accounts	<u>< 576 ></u>
	<u>\$ 7,934</u>
Amount due in	
Less than one year	\$ 5,232
One to five years	<u>2,702</u>
	<u>\$ 7,934</u>

NOTE E - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment at September 30, 2017 consist of the following:

Building	\$ 530,617
Building improvements	434,951
Equipment	<u>18,096</u>
	983,664
Less accumulated depreciation	<u>< 239,573 ></u>
	744,091
Land	<u>465,000</u>
	<u>\$1,209,091</u>

Furniture and equipment represents acquisitions of tangible personal property with funds provided to the corporation by the federal government, agencies of the State of Louisiana, or unrestricted funds. The federal and state governments retain a reversionary interest in the capital assets acquired with their funds.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

NOTE F - NOTES PAYABLE

Notes payable at September 30, 2017 consist of the following:

Note payable to a loan corporation, due in monthly installments of \$1,849, which includes a fixed interest rate of 4%. The loan matures March, 2022 with a balloon payment of approximately \$100,411.	\$ 175,143
Note payable to a financial institution, due in monthly installments of \$6,171, which includes a fixed interest rate of 5.25%. The loan matures February, 2037.	788,419
A \$250,000 revolving line-of-credit with a financial institution expires August 30, 2018. There was no outstanding balance at September 30, 2017.	<div style="text-align: center;">-0-</div> <u>\$ 963,562</u>

The interest expense relative to the notes payable totaled \$47,855 for the year ended September 30, 2017.

The aggregate maturities of the notes payable following the year ended September 30, 2017 are as follows:

<u>Year ending</u> <u>September 30</u>	
2018	\$ 38,926
2019	41,024
2020	43,404
2021	45,570
2022	143,545
Thereafter	<u>651,093</u>
	<u>\$ 963,562</u>

NOTE G - COMMITMENTS

The corporation leases office space for its administrative office in two branch locations in Lafayette, and Baton Rouge. The Lafayette lease is under a noncancellable operating lease expiring January, 2018. The administrative office in New Orleans was leased from Eighth Muse, Inc. and the rental income/expense totaling \$182,466 was eliminated for financial statement presentation.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

NOTE G - COMMITMENTS - CONTINUED

Future minimum lease payments are as follows:

Year ending September 30,

2018	\$ 9,186
	<u>\$ 9,186</u>

The rental expense for the year ended September 30, 2017 totaled \$37,416.

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2017, temporarily restricted net assets consist of the following:

Protection and Advocacy for the Developmentally Disabled	\$ 320,542
New Orleans Council on Aging, Inc.	32,941
Protection and Advocacy for Assistive Technology	1,665
Protection and Advocacy for Individuals with Mental Illness	252,531
Social Security Administration	40,303
State of Louisiana - Department of State Election Division	1,521
National Disability Rights Network	31,133
Community Living Ombudsman Program	216,043
Louisiana Bar Foundation - Children's Legal Services	2,528
Louisiana Department of Justice – SILAP	162
Governor's Office of Elderly Affairs – Ombudsman Legal Assistance Program	4,209
	<u>\$ 903,578</u>

NOTE I - RETIREMENT PLAN

The Advocacy Center sponsors a 401(K) plan covering all employees twenty-one years or older who have completed 500 hours of service. Employees are 100% vested after three years of service from date of hire. The corporation decides the amount, if any, to contribute each year to the individual retirement accounts for the eligible employees based on a percentage of annual compensation. The employer's contribution rate remained unchanged from the prior year. The percentage, determined by the Board of Directors, was 3% or \$81,667 for the year ended September 30, 2017.

NOTE J –RELATED PARTY TRANSACTIONS

The Advocacy Center leases its administrative and program offices from Eighth Muse, Inc. in New Orleans, Louisiana. The rental expense for the year ended September 30, 2017 totaled \$182,466, which was eliminated for financial statement presentation.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

NOTE K – INCOME TAXES

The Advocacy Center is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

Eighth Muse, Inc. is exempt from corporate income taxes under Section 501(c)(2) of the Internal Revenue Code.

Under FASB ASC 740, Income Taxes, requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. Management does not believe its combined financial statements include any uncertain tax positions.

NOTE L - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE M - FUNCTIONAL EXPENSES

The functional expenses for the year ended September 30, 2017 consist of the following:

	Management and General	Fund Raising	Advocacy for persons with disabilities and senior citizens	Total
Salaries	\$ 406,851	\$ 12,211	\$ 2,047,020	\$ 2,466,082
Fringe benefits	140,968	2,865	377,326	521,159
Travel	6,294	332	133,773	140,399
Operating services	169,366	1,277	120,642	291,285
Contractual services	31,027	-	213,455	244,482
Operating supplies	20,416	476	55,136	76,028
Other costs	12,741	20,624	106,086	139,451
Equipment expenses	7,801	-	39,395	47,196
	<u>\$ 795,464</u>	<u>\$ 37,785</u>	<u>\$ 3,092,833</u>	<u>\$ 3,926,082</u>

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

NOTE N – FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 820-10 requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair value. Financial instruments within the scope of FASB ASC 820-10 are included in the table below.

<u>Fair Value Measurement of Reporting Date</u>				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts – brokerage accounts	\$ 170,299	\$ 170,299	\$ -	\$ -
Certificates of deposit	<u>733,806</u>	<u>733,806</u>	-	-
	<u>\$ 904,105</u>	<u>\$ 904,105</u>	<u>\$ -</u>	<u>\$ -</u>

The assumptions to estimate fair values are as follows:

1. Money market accounts and certificates of deposit carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of the instruments.

NOTE O - FEDERALLY ASSISTED PROGRAMS

The Advocacy Center participates in a number of federally assisted programs. These programs are audited in accordance with the Single Audit Act. Audits of prior years have not resulted in any disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, the corporation's management believes that further examinations would not result in any significant disallowed costs.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

NOTE P – CONCENTRATION OF CREDIT RISK

As of September 30, 2017, the unsecured cash balances consist of the following:

Bank Balance, including outstanding checks		\$ 620,597
Less: FDIC insurance	\$ 352,707	
Pledged securities	<u>261,070</u>	<u>613,777</u>
Unsecured cash balance		<u>\$ 6,820</u>

Approximately 35% of the grant revenue comes directly from U. S. Department of Health and Human Services.

NOTE Q - ECONOMIC DEPENDENCY

The Corporation received the majority of its revenue from funds provided through grants administered by the federal government and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the corporation receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of the corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the corporation will receive in the next fiscal year.

The corporation is supported primarily through government grants. Approximately 87% of the corporation's support for the year ended September 30, 2017 came from government grants.

SUPPLEMENTAL INFORMATION

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

**COMBINED STATEMENT OF ACTIVITIES – ADVOCACY CENTER AND
EIGHTH MUSE, INC.**

For the year ended September 30, 2017

	<u>ADVOCACY CENTER</u>	<u>EIGHTH MUSE, INC.</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
REVENUES				
Grant appropriations	\$ 3,242,745	\$ -	\$ -	\$ 3,242,745
Other income	<u>399,991</u>	<u>182,466</u>	<u>< 182,466></u>	<u>399,991</u>
	<u>3,642,736</u>	<u>182,466</u>	<u>< 182,466></u>	<u>3,642,736</u>
EXPENSES				
Salaries	2,466,082	-	-	2,466,082
Fringe benefits	521,159	-	-	521,159
Travel	140,399	-	-	140,399
Operating services	414,718	59,033	<182,466>	291,285
Contractual services	243,687	795	-	244,482
Operating supplies	74,675	1,353	-	76,028
Other costs	91,596	47,855	-	139,451
Equipment expenses	<u>8,573</u>	<u>38,623</u>	<u>-</u>	<u>47,196</u>
	<u>3,960,889</u>	<u>147,659</u>	<u>< 182,466></u>	<u>3,926,082</u>
Increase <decrease> in net assets	< 318,153>	34,807	-	< 283,346>
Net assets, beginning of year	<u>2,519,835</u>	<u>< 486></u>	<u>-</u>	<u>2,519,349</u>
Net assets, end of year	<u>\$ 2,201,682</u>	<u>\$ 34,321</u>	<u>\$ -</u>	<u>\$ 2,236,003</u>

NOTE:

Intercompany rental income and expense was eliminated for financial statement presentation.

ADVOCACY CENTER

STATEMENT OF ACTIVITIES BY PROGRAM

For the year ended September 30, 2017

	PROTECTION AND ADVOCACY FOR THE DEVELOPMENTALLY DISABLED	CLIENT ASSISTANCE PROGRAM	PROTECTION AND ADVOCACY FOR INDIVIDUALS WITH MENTAL ILLNESS	U.S. DEPART. OF EDUCATION PROTECTION AND ADVOCACY OF INDIVIDUAL RIGHTS	PROTECTION AND ADVOCACY FOR ASSISTIVE TECHNOLOGY
REVENUES					
Grant appropriations	\$ 561,273	\$ 141,158	\$ 403,574	\$ 212,645	\$ 50,830
Other income	<u>30,985</u>	<u>600</u>	<u>48,207</u>	<u>12,941</u>	<u>-</u>
	<u>592,258</u>	<u>141,758</u>	<u>451,781</u>	<u>225,586</u>	<u>50,830</u>
EXPENSES					
Salaries	620,667	94,240	265,045	228,431	27,393
Fringe benefits	128,356	20,179	53,555	47,459	6,297
Travel	20,927	3,580	11,813	5,142	626
Operating services	103,544	14,776	46,620	40,469	4,913
Contractual services	54,203	3,894	37,937	49,691	8,581
Operating supplies	9,797	2,066	5,117	2,382	383
Other costs	15,303	2,650	13,067	6,240	856
Equipment expenses	<u>2,626</u>	<u>373</u>	<u>1,100</u>	<u>977</u>	<u>116</u>
	<u>955,423</u>	<u>141,758</u>	<u>434,254</u>	<u>380,791</u>	<u>49,165</u>
Increase <decrease> in net assets	< 363,165 >	-	17,527	< 155,205 >	1,665
Transfer to/from general	-	-	-	42,806	-
Net assets, beginning of year	<u>683,707</u>	<u>-</u>	<u>235,004</u>	<u>112,399</u>	<u>-</u>
Net assets, end of year	<u>\$ 320,542</u>	<u>\$ -</u>	<u>\$ 252,531</u>	<u>\$ -</u>	<u>\$ 1,665</u>

ADVOCACY CENTER

STATEMENT OF ACTIVITIES BY PROGRAM CONTINUED

For the year ended September 30, 2017

	LOUISIANA WORK INCENTIVE PLANNING AND ASSISTANCE PROJECT	T B I PROTECTION AND ADVOCACY	HELP AMERICA VOTE ACT	SOCIAL SECURITY ADMINISTRATION	STATE OF LOUISIANA DEPARTMENT OF STATE ELECTION DIVISIONS
REVENUES					
Grant appropriations	\$ 203,689	\$ 54,499	\$ 59,501	\$ 70,834	\$ 3,600
Other income	-	-	-	-	-
	<u>203,689</u>	<u>54,499</u>	<u>59,501</u>	<u>70,834</u>	<u>3,600</u>
EXPENSES					
Salaries	145,818	15,954	34,860	38,058	1,818
Fringe benefits	34,077	2,865	7,445	8,175	364
Travel	3,350	697	1,263	693	466
Operating services	32,644	2,882	6,647	6,604	417
Contractual services	14,982	31,139	7,716	1,303	33
Operating supplies	2,282	294	528	649	42
Other costs	4,297	601	930	1,234	< 143>
Equipment expenses	1,070	67	112	146	3
	<u>238,520</u>	<u>54,499</u>	<u>59,501</u>	<u>56,862</u>	<u>3,000</u>
Increase <decrease> in net assets	< 34,831>	-	-	13,972	600
Transfer to/from general	34,831	-	-	-	-
Net assets, beginning of year	-	-	-	26,331	921
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,303</u>	<u>\$ 1,521</u>

ADVOCACY CENTER

STATEMENT OF ACTIVITIES BY PROGRAM - CONTINUED

For the year ended September 30, 2017

	<u>NATIONAL DISABILITY RIGHTS NETWORK</u>	<u>COMMUNITY LIVING OMBUDSMAN PROGRAM</u>	<u>GOVERNOR'S OFFICE OF ELDERLY AFFAIRS - OMBUDSMAN LEGAL ASSISTANCE PROGRAM</u>	<u>NEW ORLEANS COUNCIL ON AGING, INC.</u>	<u>EQUAL JUSTICE WORKS</u>
REVENUES					
Grant appropriations	\$ -	\$ 1,011,464	\$ 66,338	\$ 14,880	\$ 19,763
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>1,011,464</u>	<u>66,338</u>	<u>14,880</u>	<u>19,763</u>
EXPENSES					
Salaries	-	566,450	64,349	7,789	36,132
Fringe benefits	-	140,786	12,850	2,129	12,677
Travel	-	41,213	2,272	146	6,483
Operating services	-	78,192	12,234	2,569	84
Contractual services	-	8,730	9,484	168	-
Operating supplies	-	45,770	786	95	50
Other costs	-	2,953	959	301	387
Equipment expenses	<u>-</u>	<u>1,173</u>	<u>292</u>	<u>59</u>	<u>-</u>
	<u>-</u>	<u>885,267</u>	<u>103,226</u>	<u>13,256</u>	<u>55,813</u>
Increase <decrease> in net assets	-	126,197	< 36,888>	1,624	< 36,050>
Transfer to/from general	-	-	41,097	-	36,050
Net assets, beginning of year	<u>31,133</u>	<u>89,846</u>	<u>-</u>	<u>31,317</u>	<u>-</u>
Net assets, end of year	<u>\$ 31,133</u>	<u>\$ 216,043</u>	<u>\$ 4,209</u>	<u>\$ 32,941</u>	<u>\$ -</u>

ADVOCACY CENTER

STATEMENT OF ACTIVITIES BY PROGRAM – CONTINUED

For the year ended September 30, 2017

	LOUISIANA DEPARTMENT OF JUSTICE <u>SILAP</u>	CITY OF NEW ORLEANS HOUSING ASSISTANCE <u>PLUS PROGRAM</u>	ARC OF GREATER <u>NEW ORLEANS</u>
REVENUES			
Grant appropriations	\$ 164,631	\$ 136,802	\$ -
Other income	<u>-</u>	<u>-</u>	<u>-</u>
	<u>164,631</u>	<u>136,802</u>	<u>-</u>
EXPENSES			
Salaries	102,707	105,362	-
Fringe benefits	31,444	25,421	-
Travel	6,667	1,036	-
Operating services	17,999	8,376	-
Contractual services	3,781	50	-
Operating supplies	992	487	-
Other costs	581	-	-
Equipment expenses	<u>298</u>	<u>-</u>	<u>-</u>
	<u>164,469</u>	<u>140,732</u>	<u>-</u>
Increase <decrease> in net assets	162	< 3,930>	-
Transfer to/from general	-	3,930	< 7,307>
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>7,307</u>
Net assets, end of year	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ -</u>

ADVOCACY CENTER

STATEMENT OF ACTIVITIES BY PROGRAM - CONTINUED

For the year ended September 30, 2017

	LOUISIANA BAR FOUNDATION OTHER LEGAL SERVICES	LOUISIANA BAR FOUNDATION CHILDREN'S LEGAL SERVICES	GENERAL	TOTAL
REVENUES				
Grant appropriations	\$ 27,439	\$ 20,625	\$ 19,200	\$ 3,242,745
Other income	<u>2,000</u>	<u>-</u>	<u>305,258</u>	<u>399,991</u>
	<u>29,439</u>	<u>20,625</u>	<u>324,458</u>	<u>3,642,736</u>
EXPENSES				
Salaries	15,616	17,334	78,059	2,466,082
Fringe benefits	3,374	3,610	< 19,904>	521,159
Travel	244	426	33,355	140,399
Operating services	2,517	2,474	30,757	414,718
Contractual services	289	3,161	8,545	243,687
Operating supplies	170	153	2,632	74,675
Other costs	7,740	332	33,308	91,596
Equipment expenses	<u>47</u>	<u>72</u>	<u>42</u>	<u>8,573</u>
	<u>29,997</u>	<u>27,562</u>	<u>166,794</u>	<u>3,960,889</u>
Increase <decrease> in net assets	< 558>	< 6,937>	157,664	< 318,153>
Transfer to/from general	558	5,337	< 157,302>	-
Net assets, beginning of year	<u>-</u>	<u>4,128</u>	<u>1,297,742</u>	<u>2,519,835</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 2,528</u>	<u>\$ 1,298,104</u>	<u>\$ 2,201,682</u>

ADVOCACY CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>PASS THROUGH GRANTOR CONTRACT #</u>	<u>GRANT PERIOD</u>	<u>FEDERAL CFDA NUMBER</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct programs:				
Protection and Advocacy for the Developmentally Disabled	-	10/01/16-09/30/18	93.630	\$ 955,423
Protection and Advocacy for Individuals with Mental Illness	-	10/01/16-09/30/18	93.138	434,254
Protection and Advocacy: Traumatic Brain Injury	-	10/01/16-09/30/18	93.267	54,499
Help America Vote Act	-	10/1/16-09/30/21	93.618	59,501
Protection and Advocacy: Assistance Technology	-	04/1/16-09/30/18	93.843	<u>49,165</u>
Subtotal Department of Health and Human Services direct programs				<u>1,552,842</u>
Pass through programs from:				
Louisiana Governor's Office of Elderly Affairs:				
Ombudsman Legal Assistance Program	4400008536	07/01/16-06/30/17	93.044	48,541
Ombudsman Legal Assistance Program	4400011336	07/01/17-06/30/18	93.044	13,589
New Orleans Council on Aging, Inc.				
Title III B Supportive Services	-	07/01/16-06/30/17	93.044	11,316
		07/01/17-06/30/18	93.044	1,940
State of Louisiana:				
Voting Access for Individuals with Disabilities	727100	01/01/14-12/31/16	93.617	3,000
Louisiana Department of Health and Hospital:				
SILAP Program	2000294576	07/01/17-06/30/18	93.630	47,888
SILAP Program	2000216557	07/01/16-06/30/17	93.630	<u>116,581</u>
Subtotal Department of Health and Human Services pass-through programs				<u>242,855</u>
Total U. S. Department of Health and Human Services				<u>1,795,697</u>
U. S. DEPARTMENT OF EDUCATION				
Direct Programs:				
Client Assistance Program (CAP)	-	10/01/15-09/30/17	84.161A	141,758
Protection and Advocacy of Individual Rights (PAIR)	-	10/01/15-09/30/17	84.240A	<u>337,985</u>
Total U. S. Department of Education				<u>479,743</u>

ADVOCACY CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended September 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>PASS THROUGH GRANTOR CONTRACT #</u>	<u>GRANT PERIOD</u>	<u>FEDERAL CFDA NUMBER</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
SOCIAL SECURITY ADMINISTRATION				
Direct Programs:				
Protection and Advocacy for Beneficiaries of Social Security (PABSS)	-	10/01/12-09/30/19	96.009	\$ 56,862
South Louisiana Benefits Planning Program (SLBPP)		07/01/16-06/30/18	96.008	<u>203,689</u>
Total Social Security Administration				<u>260,551</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Program:				
Elder Justice Americorp		08/10/16-09/30/17	94.006	<u>19,763</u>
Total Corporation for National and Community Services	16NDHC001			<u>19,763</u>
Total Federal Awards				<u>2,555,754</u>

ADVOCACY CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended September 30, 2017

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Advocacy Center under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Par 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Advocacy Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Advocacy Center.

B. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

C. Indirect Cost Rate

Advocacy Center has not elected to use the 10% de minimis indirect cost rate.

ADVOCACY CENTER

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

For the year ended September 30, 2017

Agency Head Name: Kim Y. Jones

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 110,000
Benefits - insurance	8,001
Benefits - retirement	3,881
Travel	4,448
Reimbursement - other	1,796

Justin J. Scanlan, C.P.A., F.P.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

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

Board of Directors
Advocacy Center

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 Advocacy Center (a non-profit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. The material weaknesses are identified as items 2017-002 and 2017-003.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. The significant deficiency is identified as item 2017-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Advocacy Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

Advocacy Center's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

New Orleans, Louisiana
March 29, 2018

Justin J. Scudder, CPA, LLC

Justin J. Scanlan, C.P.A., P.C.

A LIMITED LIABILITY COMPANY

4789 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

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

Board of Directors
Advocacy Center

Report on Compliance for Each Major Federal Program

We have audited Advocacy Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Advocacy Center's major federal programs for the year ended September 30, 2017. Advocacy Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Advocacy Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance required 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 Advocacy Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Advocacy Center 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 September 30, 2017.

Report on Internal Control Over Compliance

Management of Advocacy Center 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 Advocacy Center'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 to 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 Advocacy Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-004 to be a significant deficiency.

Advocacy Center's Response to Findings

Advocacy Center's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Advocacy Center's response was not subjected to the auditing procedures applied in the audit of compliance and, we express no opinion on the response.

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

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
March 29, 2018

ADVOCACY CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported
- Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR sections 200.516(a)? X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.630	U. S. Department of Health and Human Services: Protection and Advocacy for the Developmentally Disabled
93.630	Passed through Louisiana Department of Health and Hospitals: SILAP Program

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

ADVOCACY CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended September 30, 2017

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

COMPLIANCE

2017-001 Audit Requirements

Condition: The audit was not completed within six months after year-end.

Criteria: The audit must be completed and filed with the Louisiana Legislative Auditor within six months after year-end.

Cause: There was a complete turnover in the accounting department during the fiscal year. The CFO was hired on November, 2016 and left in November, 2017. The executive Director was hired in October, 2016 and left in January, 2018.

Effect: Due to a complete turnover in the accounting department, the audit was not able to be completed in a timely manner.

Recommendation: The organization needs to have its audit completed within six months after year-end.

View of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

INTERNAL CONTROL OVER FINANCIAL REPORTING

MATERIAL WEAKNESSES

2017-002 Accounting System

Condition: Subsidiary ledgers or schedules were not maintained for various general ledger control accounts. These general ledger control accounts consisted of grants receivable, prepaid expenses, travel advance and employee withholding accounts. In addition, the accounts payable aging analysis was not in agreement with the general ledger control account.

Criteria: Subsidiary ledgers/schedules should be maintained for all significant general ledger control accounts. The subsidiary ledger/schedules should be complete and accurate.

Cause: No subsidiary ledgers/schedules were maintained for significant general ledger accounts. The CFO failed to maintain a complete and accurate general ledger.

Effect: The financial statements generated by the CFO were not complete and accurate. Management is unable to rely on complete and accurate financial information in its decision making process.

Recommendation: Subsidiary ledgers/schedules should be maintained for certain general ledger control accounts monthly. These subsidiary ledgers/schedules should be complete and accurate, and reconciled to the general ledger accounts.

ADVOCACY CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended September 30, 2017

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

MATERIAL WEAKNESSES

2017-002 Accounting System - Continued

View of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

2017-003 Cost Allocation System

Condition: The CFO revised the cost allocation system during the fourth quarter of the fiscal year. The CFO changed the time allocation system from direct time charged to grants to a percentage allocation model. There was no support for the percentage allocation model.

Criteria: The cost allocation system should be supported by employee time sheets that are represented by time worked.

Cause: The CFO changed the cost allocation system during the fourth quarter of the fiscal year without adequate supporting documentation.

Effect: The cost allocation model utilized during the fourth quarter of the fiscal year did not properly reflect the actual costs charged to the various grants. Prior to the completion of the audit, the percentage allocation model was changed to a direct time allocation model. The prior costs charged to the fourth quarter were adjusted to reflect the costs computed utilizing a direct time allocation model.

Recommendation: The organization should utilize a direct time allocation model for future allocations.

View of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

SIGNIFICANT DEFICIENCY

2017-004 Travel Advances

Condition: An outstanding travel advance schedule was not maintained and reconciled to the general ledger on a monthly basis. In addition, the executive director upgraded airline tickets twice to first class without reimbursing the organization, and failed to file two travel reports. The first class upgrades totaled \$121, and the undocumented travel advances totaled \$1,309.

Criteria: An outstanding travel advance schedule should be maintained and reconciled monthly to the general ledger. All travel reports need to be filed timely, and any upgrades need to be paid personally by the employee.

ADVOCACY CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended September 30, 2017

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

SIGNIFICANT DEFICIENCY

2017-004 Travel Advances – Continued

Cause: Travel advances were not properly monitored, and upgrades were allowed without employee reimbursement.

Effect: The undocumented travel advances and upgrades are not allowable federal expenditures. The unallowable costs totaled \$1,430 and were charged to unrestricted general funds.

Recommendation: Outstanding travel advance schedules should be maintained and reconciled to the general ledger monthly. All travel advances should be monitored and travel reports filed timely.

View of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

ALL FEDERAL PROGRAMS

MATERIAL WEAKNESSES

2017-002 Accounting System

Questioned
Costs

Condition: Subsidiary ledgers or schedules were not maintained for various general ledger control accounts. These general ledger control accounts consisted of grants receivable, prepaid expenses, travel advance and employee withholding accounts. In addition, the accounts payable aging analysis was not in agreement with the general ledger control account.

Criteria: Subsidiary ledgers/schedules should be maintained for all significant general ledger control accounts. The subsidiary ledger/schedules should be complete and accurate.

Cause: No subsidiary ledgers/schedules were maintained for significant general ledger accounts. The CFO failed to maintain a complete and accurate general ledger.

Effect: The financial statements generated by the CFO were not complete and accurate. Management is unable to rely on complete and accurate financial information in its decision making process.

Questioned Costs: None

\$ -

Recommendation: Subsidiary ledgers/schedules should be maintained for certain general ledger control accounts monthly. These subsidiary ledgers/schedules should be complete and accurate, and reconciled to the general ledger accounts.

ADVOCACY CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended September 30, 2017

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM - CONTINUED

ALL FEDERAL PROGRAMS
MATERIAL WEAKNESSES

Questioned
Costs

2017-002 Accounting System - Continued

View of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

2017-003 Cost Allocation System

Condition: The CFO revised the cost allocation system during the fourth quarter of the fiscal year. The CFO changed the time allocation system from direct time charged to grants to a percentage allocation model. There was no support for the percentage allocation model.

Criteria: The cost allocation system should be supported by employee time sheets that are represented by time worked.

Cause: The CFO changed the cost allocation system during the fourth quarter of the fiscal year without adequate supporting documentation.

Effect: The cost allocation model utilized during the fourth quarter of the fiscal year did not properly reflect the actual costs charged to the various grants. Prior to the completion of the audit, the percentage allocation model was changed to a direct time allocation model. The prior costs charged to the fourth quarter were adjusted to reflect the costs computed utilizing a direct time allocation model.

Questioned Costs: None

-

Recommendation: The organization should utilize a direct time allocation model for future allocations.

View of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

ADVOCACY CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended September 30, 2017

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM - CONTINUED

ALL FEDERAL PROGRAMS
MATERIAL WEAKNESSES

Questioned
Costs

SIGNIFICANT DEFICIENCY

2017-004 Travel Advances

Condition: An outstanding travel advance schedule was not maintained and reconciled to the general ledger on a monthly basis. In addition, the executive director upgraded airline tickets twice to first class without reimbursing the organization, and failed to file two travel reports. The first class upgrades totaled \$121, and the undocumented travel advances totaled \$1,309.

Criteria: An outstanding travel advance schedule should be maintained and reconciled monthly to the general ledger. All travel reports need to be filed timely, and any upgrades need to be paid personally by the employee.

Cause: Travel advances were not properly monitored, and upgrades were allowed without employee reimbursement.

Effect: The undocumented travel advances and upgrades are not allowable federal expenditures. The unallowable costs totaled \$1,430 and were charged to unrestricted/general funds.

Questioned Costs: None

-

Recommendation: Outstanding travel advance schedules should be maintained and reconciled to the general ledger monthly. All travel advances should be monitored and travel reports filed timely.

View of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

Total questioned Costs:

\$ -

ADVOCACY CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended September 30, 2017

D. STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.



CORRECTIVE ACTION PLAN

COMPLIANCE

2017-001 Audit Requirements

The organization agrees with the recommendation and has taken steps to ensure that future audits are completed in a timely manner. A new CFO was hired in January and is taking actions to ensure timely and accurate financial statement preparation. An experienced comptroller has been added to the accounting department staff to assist in implementing systems of reconciliation, analysis and reporting of financial activity at the corporate and grant level.

INTERNAL CONTROLS

MATERIAL WEAKNESSES

2017-002 Accounting System

The organization agrees with the recommendation that subsidiary ledgers/schedules be maintained for general ledger control accounts and reconciled to the general ledger on a monthly basis. As stated above the new CFO hired in January is taking the necessary actions to ensure subsidiary ledgers/schedules in support of general ledger control accounts are maintained and reconciled on a monthly basis. The comptroller is assisting in the implementation of these processes.

2017-003 Cost Allocation System

The organization agrees with the recommendation to use a direct time allocation model. Any adjustments necessary to affect that change since the beginning of the current fiscal have been made.

SIGNIFICANT DEFICIENCY

2017-004 Travel Advances

The organization agrees with the recommendation and has reestablished procedure regarding the control and monitoring of travel advances and travel reporting on a monthly basis.

ADVOCACY CENTER
STATEWIDE AGREED-UPON PROCEDURES
For the year ended September 30, 2017

Justin J. Scanlan, C.P.A., P.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Advocacy Center
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Advocacy Center and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the year October 1, 2016 through September 30, 2017. The Advocacy Center's management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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

The procedures and associated results are as follows:

Written Policies and Procedures

Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c) **Disbursements**, including processing, reviewing, and approving.
- d) **Receipts**, including receiving, recording, and preparing deposits.

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

Result

The contracting policy does not specify when the Board of Director's approval is required; i.e., no dollar threshold is stated in the contracting policy.

Board (or Finance Committee, if applicable)

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

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report

whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

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

No exceptions were noted.

Bank Reconciliations

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

Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared:
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results

A review of the operating account bank reconciliations as September 30, 2017 noted checks over one year old totaled \$964. These checks should be voided in the future.

Collections

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

Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing cash in the bank, recording the related

transaction, or reconciling the related bank account collected, recording related transactions or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

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

Note

The collection procedures are not applicable. The organization receives electronic transfers from its grantors. The primary grantors are the federal and state governments.

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

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

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

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and /or purchase order, or electronic equivalent; as receiving report showing the receipts of goods purchased, or electronic equivalent ; and an approved invoice.

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

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

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

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

Note

The organization does not use a signature stamp.

No exceptions were noted.

Credit Cards

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

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

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

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

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

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identified precisely what was purchased).
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

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

Results

The entity has one credit card account. Reviewed the credit card activity for the July/August billing cycle. Thirty-three of the seventy-eight transactions did not document the business purpose for the purposed.

Travel and Expense Reimbursement

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

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

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

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates and report each reimbursement that exceeded those rates.
- b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt].

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individual participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

No exceptions were noted.

Contracts

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

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

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g. solicited quotes or bids, advertisement, selected lowest bidder).
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Results

Board of Director's approval was not obtained for the written contracts reviewed.

Payroll and Personnel

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

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

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

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

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

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

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

Results

The employee portion of the retirement contributions were not withheld for two of the twenty-six payroll periods.

Ethics

Non-profit organizations are excluded from the Ethics Statewide Agreed-Up Procedures.

Debt Service

Non-Profit organizations are excluded from the Debt Service Statewide Agreed-Up Procedures.

Other

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

Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1 The notice (available for download or print at www.l1a.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abusive of public funds.

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

No results were noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the State Agreed-Upon Procedures. 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 State Agreed-Upon Procedures, 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 Louisiana Legislative Auditor as a public document.

Justin J. Sculan, CPA, LLC

New Orleans, Louisiana
March 29, 2018



ADVOCACY CENTER

SERVING PEOPLE WITH DISABILITIES AND SENIOR CITIZENS

RESPONSE TO STATEWIDE AGREED-UPON PROCEDURES REPORT

Finding/Issue 1: *Written Policies and Procedures: The contracting policy does not specify when the Board of Director's approval is required; i.e., no dollar threshold is stated in the contracting policy.*

AGENCY RESPONSE:

Action Steps and Timeframe: The agency will update policies and procedures. The update will include designating a threshold the Executive Director needs to seek further approval from the Board of Directors.

The next board of directors meeting is April 21, 2018 and we will have implement a new and updated policy to clarify thresholds.

Finding/Issue 2: *Bank Reconciliations: A review of the operating account bank reconciliations as September 30, 2017 noted checks over one year old totaled \$964. These checks should be voided in the future*

AGENCY RESPONSE:

Action Steps and Timeframe: The agency will conduct monthly reviews of the bank statements. Any check (s) over 90 days will be voided moving forward.

Finding/Issue 3: *Credit Cards: The entity has one credit card account. Reviewed the credit card activity for the July/August billing cycle. Thirty-three of the seventy-eight transactions did not document the business purpose for the purposed.*



ADVOCACY CENTER

SERVING PEOPLE WITH DISABILITIES AND SENIOR CITIZENS

AGENCY RESPONSE:

Action Steps and TimeFrame: The agency will document all charges on the credit card. Charges will be supported with receipts and the need for the expense and what grant the charge is to be billed to.

Supporting documentation for the credit card will happen immediately.

Finding/Issue 4: Contracts: Board of Directors approval was not obtained for the written contracts reviewed.

AGENCY RESPONSE:

Action Steps and TimeFrame: The agency will update it's policies and procedures, to define when the board of directors approval is needed.

The board of directors next meeting will be April 21, 2018. At which point the new policies and procedures will be resolved.

Finding/Issue 5: Payroll and Personnel: The employee portion of the retirement contributions were not withheld for two of the twenty-six payroll periods.

AGENCY RESPONSE:

Action Steps and TimeFrame: The agency has corrected withholding. Moving forward the agency will withhold retirement contributions from all twenty-six pay periods.