

**LITERACY COUNCIL  
OF SOUTHWEST LOUISIANA, INC.  
Lake Charles, Louisiana**

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**FINANCIAL STATEMENTS  
December 31, 2022**

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.  
Lake Charles, Louisiana

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# STEVEN M DEROUEN & ASSOCIATES LLC

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Literacy Council of Southwest Louisiana, Inc.  
Lake Charles, Louisiana

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

#### ***Opinion***

We have audited the accompanying financial statements of Literacy Council of Southwest Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Literacy Council of Southwest Louisiana, Inc. as of December 31, 2022, 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.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Literacy Council of Southwest Louisiana, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Literacy Council of Southwest Louisiana, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Literacy Council of Southwest Louisiana Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Literacy Council of Southwest Louisiana Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Executive Director 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 Schedule of Compensation, Benefits and Other Payments to Executive Director is fairly stated in all material respects in relation to the 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 June 29, 2023, on our consideration of Literacy Council of Southwest Louisiana, 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 the effectiveness of Literacy Council of Southwest Louisiana, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Literacy Council of Southwest Louisiana, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana  
June 29, 2023

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 77,185
Unconditional promises to give	6,102
Grants receivable	91,298
Prepaid expenses	6,907
Total current assets	<u>181,492</u>

**PROPERTY AND EQUIPMENT**

Equipment	84,949
Leasehold improvements	4,051
	<u>89,000</u>
Less accumulated depreciation	<u>(81,353)</u>
	7,647
Land	6,788
Net property and equipment	<u>14,435</u>
Total assets	<u>\$ 195,927</u>

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**December 31, 2022**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$	3,633
Accrued expenses		27,418
Other payable (Note J)		43,244
Total current liabilities		74,295
Total liabilities		74,295

**NET ASSETS**

Without donor restrictions		
Board designated		41,166
Undesignated		75,466
Total net assets without donor restrictions		116,632
With donor restrictions		5,000
Total net assets		121,632
Total liabilities and net assets	\$	195,927

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF ACTIVITIES AND NET ASSETS**  
**Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
United Way of Southwest Louisiana	\$ 10,567	\$ 5,000	\$ 15,567
Federal and State Grants	645,393	-	645,393
Contributions and Private Grants	13,234	-	13,234
Interest income	29	-	29
Program fees	511	-	511
Fund raising	36,997	-	36,997
Other income	3,121	-	3,121
Total revenues and gains	<u>709,852</u>	<u>5,000</u>	<u>714,852</u>
Net assets released from restrictions	<u>18,000</u>	<u>(18,000)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>727,852</b>	<b>(13,000)</b>	<b>714,852</b>
<b>EXPENSES</b>			
Program services	688,256	-	688,256
Management and general	57,168	-	57,168
Fund raising	24,430	-	24,430
<b>TOTAL EXPENSES</b>	<u>769,855</u>	<u>-</u>	<u>769,855</u>
<b>CHANGE IN NET ASSETS</b>	<b>(42,003)</b>	<b>(13,000)</b>	<b>(55,003)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>158,635</u>	<u>18,000</u>	<u>176,635</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 116,632</u>	<u>\$ 5,000</u>	<u>\$ 121,632</u>

See accompanying notes to financial statements.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2022**

<b>Cash Flows From Operating Activities</b>	
Cash received from Federal and State Grants	\$ 560,197
Cash received from Private Grants, Contracts, and Contributions	79,212
Cash paid to Suppliers and Employees	<u>(703,937)</u>
Net Cash Provided (Used) By Operating Activities	<u>(64,528)</u>
 <b>Cash Flows From Investing Activities</b>	
Purchase of capital assets	<u>(5,386)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(5,386)</u>
 <b>Cash Flows From Financing Activities</b>	
Interest received	<u>29</u>
Net Cash Provided (Used) By Investing Activities	<u>29</u>
 <b>Net Increase (Decrease) In Cash</b>	 (69,885)
 <b>Cash - Beginning of Year</b>	 <u>147,070</u>
 <b>Cash - End of Year</b>	 <u><u>\$ 77,185</u></u>
 <b>Cash Flows From Operating Activities</b>	
Increase (decrease) in net assets	\$ (55,003)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	1,403
(Increase) decrease in operating assets:	
Grants and unconditional promises to give	(14,079)
Prepaid expenses	(1,836)
Increase (decrease) in operating liabilities:	
Accounts payable	(2,312)
Accrued expense	<u>7,299</u>
Total Adjustments	<u>(9,525)</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (64,528)</u></u>

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2022**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Contract Labor	\$ 5,322	\$ 289	\$ 174	\$ 5,785
Depreciation	1,319	70	14	1,403
Dues	489	26	5	520
Education and testing fees	285	-	-	285
Insurance - other	13,050	694	139	13,883
Interest expense	41	2	-	43
Miscellaneous	-	4,568	-	4,568
Office expense	46,831	2,491	498	49,820
Office occupancy	35,441	1,885	377	37,703
Payroll taxes	32,579	1,733	347	34,659
Professional fees	-	16,000	-	16,000
Salaries and wages	472,499	25,133	5,027	502,658
Employee benefits	46,181	2,456	491	49,129
Telephone	3,639	194	39	3,871
Travel	14,232	757	151	15,140
Fundraising expenses	-	-	16,995	16,995
Training and conferences	16,349	870	174	17,393
Total expenses	<u>\$ 688,256</u>	<u>\$ 57,168</u>	<u>\$ 24,430</u>	<u>\$ 769,855</u>

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

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

Organization and Purpose:

The Literacy Council of Southwest Louisiana, Inc. was organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing tutoring to the illiterate. The Council operates under a Board of Directors, which appoints an Executive Director and otherwise controls and guides the Council.

The United Way of Southwest Louisiana, Inc., federal and state grants, and private contributions provided the majority of the funding for the Council's 2022 programs.

The Council follows the standards of accounting and financial reporting for voluntary health and welfare agencies prescribed by the American Institute of Certified Public Accountants. The following significant accounting policies are in accordance with these standards.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Financial Statement Presentation:

The Council follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic, *Financial Statements of Not-for-Profit Organizations*. In accordance with this guidance, the Council is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets:

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include board designated net assets which represent funds set aside for future operations.

*Net Assets With Donor Restrictions* – Net assets available subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Net Assets (Continued):

The Council reports contributions restricted by donors 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 contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Board designated net assets without donor restrictions consist of \$41,166 in cash funds held in an investment account.

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to the passage of time:	
For periods after December 31, 2022	\$ 5,000

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes:

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Currently, the Council engages in no activities that would be taxed as unrelated business income. The Council's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed.

Property and Equipment:

It is the Council's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies donor restricted net assets to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents:

The Council considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable:

Grants, contracts, and contributions receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. At December 31, 2022, the Council considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Functional Expenses:

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

Fair Values of Financial Instruments:

The Council has a number of financial instruments, none of which is held for trading purposes. The Council estimates that the fair value of all financial instruments as of December 31, 2022 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Council using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Council could realize in a current market exchange. The recorded values of cash, receivables, prepaids, inventory, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

Revenue Recognition:

On January 1, 2019, the Council adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. This literature is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The accounting guidance also requires additional disclosure regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts including significant judgements and changes in judgements, as well as assets recognized from costs incurred to obtain or fulfill a contract.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition(continued):

Program fees are recognized over the time in which the support performance obligations are met. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting. Fundraising revenues representing reciprocal transfers (exchange transactions) are recognized when the performance obligation is satisfied. The Council’s estimate of the transaction price is determined based on the cost expended to provide such goods or services.

The following table presents the Council’s net revenue disaggregated based on the revenue source:

	<u>For the year ended December 31, 2022</u>	
Program fees		\$ 511
Fundraising event exchange transactions		7,414
Total revenue from contracts with customers		<u>\$ 7,925</u>

**NOTE B – ACCOUNTS RECEIVABLE**

As of December 31, 2022, accounts receivable from grants and contracts were composed of:

U.S. Department of Education	
Passthrough Louisiana Department of Education	
Federal Basic	\$ 43,103
Federal Integrated Literacy/Civics	4,553
Federal AE Leadership	12,661
Louisiana Department of Education	
State Basic	\$ 30,981

All receivables are expected to be received within less than one year of the financial statement date.

**NOTE C – UNCONDITIONAL PROMISES TO GIVE**

During the year ended December 31, 2022, the Council received its July 1, 2022 through June 30, 2023 United Way allocation of \$10,000. The January 1, 2023 through June 30, 2023 portion of the allocation is donor restricted at time of receipt and is properly reflected in the accompanying statement of activities as an increase in donor restricted net assets in the amount of \$5,000. Uncollectible allocations are expected to be insignificant. All of the allocation is expected to be received in less than one year.

**NOTE D – SUBSEQUENT EVENTS**

The Council evaluated its December 31, 2022 financial statements for subsequent events through the date of the audit report, the date the financial statements were available to be issued. The Council is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE E – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Council has \$174,585 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting substantially of cash totaling \$77,185 unconditional promises to give of \$6,102 and grants receivable of \$91,298. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The unconditional promises to give are subject to implied time restrictions but are expected to be collected within one year. The Council has a goal to maintain financial assets which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average approximately \$130,000. The Council has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Council deposits cash in excess of daily requirements in its interest-bearing savings account.

**NOTE F – PROPERTY AND EQUIPMENT**

As of December 31, 2022, property and equipment consisted of:

Equipment	\$ 84,949
Leasehold Improvements	4,051
Land	<u>6,788</u>
Total Fixed Assets	95,788
Less Accumulated Depreciation	<u>(81,353)</u>
Net Fixed Assets	<u>\$ 14,435</u>

Property and equipment acquisitions are capitalized at cost, if purchased, or at estimated fair market value if donated. Depreciation expense for the years ended December 31, 2022 was \$1,403.

**NOTE G – OPERATING LEASE COMMITMENT**

The Council elected to adopt FASB ASC 842 for leases effective January 1, 2022. As of December 31, 2022, there were no operating leases with terms over twelve months, therefore no right-of-use assets and corresponding lease liabilities are recorded in the financial statements. During 2022, the Council rented temporary office space (\$2,000 per month, 12 month lease) and while its permanent location was undergoing construction. The Council also rents additional classroom space in DeRidder (\$300 per month) Louisiana, on a month-to-month basis, with a 30-day notice required upon cancellation.

Rental expense totaled \$28,784 during the year ended December 31, 2022.

**NOTE H – FUNCTIONAL ALLOCATION OF EXPENSES**

Indirect expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Council's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

The allocation of indirect cost was based on the following 2022 percentages:

Program	94%
Management and General	5%
Fund Raising	1%

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE I – CONCENTRATIONS**

The Council maintains bank accounts at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. Balances were not in excess of FDIC insured limits as of December 31, 2022.

For the years ended December 31, 2022, the Council received 90% of its funding from federal and state grants. The operations of the Council are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies. Such administrative directives, rules, and regulations are subject to change by legislative acts or administrative changes. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

**NOTE J – NOTE PAYABLE CONTINGENCY**

Paycheck Protection Program (PPP) note payable dated August 17, 2020 in the amount of \$141,111; matures on August 17, 2025 bearing fixed interest of 1.00%. First payment of \$2,686.88 is due on March 17, 2021. The note may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred before March 2, 2021. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

During the year ended December 31, 2021, the Council applied for and has been notified that \$97,867 in eligible expenditures for payroll and other expenses described in the Coronavirus Aid, Relief, and Economic Security Act (CARES) has been forgiven. Loan forgiveness is reflected in the accompanying statement of activities and net assets.

The remaining portion of the PPP funds received is reflected as a current liability in the amount of \$43,244 as the total \$141,111 loan balance was originally forgiven. It is possible the amount of this current liability amount could change within one year of the date of the financial statements. The final remaining amount owed to the PPP program has not yet been determined.

# STEVEN M DEROUEN & ASSOCIATES LLC

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

Board of Directors  
Literacy Council of Southwest Louisiana, Inc.  
Lake Charles, Louisiana

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 Literacy Council of Southwest Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 29, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Literacy Council of Southwest Louisiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Literacy Council of Southwest Louisiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Literacy Council of Southwest Louisiana, Inc.'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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-01 and 2022-02 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

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

## **Literacy Council of Southwest Louisiana Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Literacy Council of Southwest Louisiana, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Literacy Council of Southwest Louisiana, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana

June 29, 2023

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**Lake Charles, Louisiana**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2022**

**A. Summary of Independent Auditor's Results:**

1. Unqualified opinion on financial statements.
2. Significant deficiency in internal control – refer to B. 2022-01 and B. 2022-02.
3. No instances of noncompliance noted.

**B. GAGAS Findings:**

**2022-01 - Segregation of Duties**

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Cause: Due to the relatively small number of employees that the Council can afford to compensate, some employees are performing functions that should be segregated.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this significant deficiency in internal control by supervision and review procedures.

Response: Management has considered this deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties.

**2022-02 - Financial Statement Reporting**

Condition: The Council maintains its books and records on the modified cash basis of accounting. The Council relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures.

Cause: The Council employs a small number of people involved in day-to-day accounting operations.

Criteria: Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Council's internal control structure.

Effect: Misstatements in financial statements could go undetected.

Recommendation: None

Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**Lake Charles, Louisiana**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2022**

**Prior Year Findings:**

2021-01- Segregation of Duties

A proper segregation of duties is not possible due to the small number of people involved in the Council's day-to-day operations.

2021-02 Financial Statement Reporting

The Council maintains its books and records on the modified cash basis of accounting. The Council relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Council's internal control structure and because of the limitations of the accounting staff, the design of the Council's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

2021-03 Grant Drawdown Timing

During 2021, the Council erroneously received \$5,230 in grant funding in excess on concurrent expense documentation for one month's expense grant reimbursement. The Council reduced a subsequent grant drawdown request by \$5,230 to correct this prior month's excess receipt of grant funds.

2021-04 Late Filing of Independent Auditor's Report

The audited financial statements were due by June 30, 2022, but were not filed until July 2022.

**Literacy Council of Southwest Louisiana, Inc.**

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

**December 31, 2022**

**Agency Head Name: Tommeka Semien, Executive Director**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 60,301
Benefits-health insurance	2,809
Benefits-retirement	-
Benefits-HSA	1,500
Car allowance	-
Vehicle provided by government	-
Per diem	768
Reimbursements – Auto Mileage Reimb	181
Travel	-
Registration fees	735
Conference travel	1,955
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

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Member Louisiana Society of  
Certified Public Accountants

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

To the Board of Directors of Literacy Council of Southwest Louisiana, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. Literacy Council of Southwest Louisiana Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Literacy Council of Southwest Louisiana, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

### ***1) Written Policies and Procedures***

---

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
  - i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - ii. ***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.
  - iii. ***Disbursements***, including processing, reviewing, and approving.

- iv. **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).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **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).
- viii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology 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.
- xii. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*We performed the Information Technology Disaster Recovery/Business Continuity procedure (1Axi) and discussed the results with management.*

*Were any exceptions found? - Yes*

*Exception (1Axi). The Contracting policy does not include language describing (3) legal review.*

*Exception (1Avii). The Credit Card policy does not include language describing (4) required approvers of statements.*

## **2) Board or Finance Committee**

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- A. Obtain and review the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
  - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
  - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

*Were any exceptions found? - Yes*

*Exception (2Ai): Noted the Board of Directors did not meet with a quorum from February through June 2022, and October 2022.*

*Exception (2Aiv): The Council is unable to resolve audit findings due to a lack of sufficient financial resources.*

## **3) Bank Reconciliations**

---

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 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 each selected account, and observe that:

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
- ii. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*Were any exceptions found? - Yes*

*Exception (3Aii): No member of management or a board member who does not handle cash, post ledgers, or issue checks reviewed bank reconciliations.*

#### **4) Collections (excluding electronic funds transfers)**

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- A. 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).
- B. 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:
  - i. Employees responsible for cash collections do not share cash drawers/registers;
  - ii. 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;
  - iii. 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 and;
  - iv. 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/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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:

- i. Observe that receipts are sequentially pre-numbered.
- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
- iv. Observe 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 and the cash is stored securely in a locked safe or drawer).
- v. Trace the actual deposit per the bank statement to the general ledger.

*Were any exceptions found? - NA*

*These procedures are not applicable to this non-profit organization.*

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

---

- A. 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).
- B. For each location selected under procedure #5A 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:
  - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase;
  - ii. At least two employees are involved in processing and approving payments to vendors;
  - iii. 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;
  - iv. 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; and
  - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

*[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]*

- C. For each location selected under procedure #5A 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:
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
  - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B, as applicable.

*Were any exceptions found? - Yes*

*Exception (5Bi, Cii): Occasionally only one employee is involved in initiating a purchase request.*

*Exception (5Bii, Cii): Occasionally only one employee is involved in processing and approving payments to vendors.*

*Exception (5Biii, Cii): The individual responsible for processing payments also adds/modifies vendor files.*

*Exception (5Biv, Cii): The individual who processes payments also occasionally mails the checks.*

*Exception (5Bv, Cii): Occasionally the contract bookkeeper processes electronic payments for reoccurring purchases.*

## **6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards**

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.
- B. 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:
- i. Observe whether 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) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and
  - ii. Observe that finance charges and late fees were not assessed on the selected statements.

- C. Using the monthly statements or combined statements selected under procedure #7B 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 inspection). For each transaction, observe 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). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

*Were any exceptions found? - Yes*

*Exception (6Bi, 6C): Noted some credit card charges did not have supporting invoice attached to monthly credit card statement.*

### **7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov));
  - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
  - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1A(vii); and
  - iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Were any exceptions found? - No*

### **8) Contracts**

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete.

Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

*Were any exceptions found? - No*

### ***9) Payroll and Personnel***

---

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
  - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
  - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
  - iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
  - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the

pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*Were any exceptions found? - No*

### ***10) Ethics***

---

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
  - ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

*Were any exceptions found? - NA*

*These procedures are not applicable to this non-profit organization.*

### ***11) Debt Service***

---

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

*Were any exceptions found? - NA*

*These procedures are not applicable to this non-profit organization.*

## ***12) Fraud Notice***

---

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*Were any exceptions found? - Yes*

*Exception (12B): Fraud notice is not posted on the entity's premises.*

## ***13) Information Technology Disaster Recovery/Business Continuity***

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- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
  - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe evidence such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
  - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
  - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

*We performed the Information Technology Disaster Recovery/Business Continuity procedures and discussed the results with management.*

## ***14) Prevention of Sexual Harassment***

---

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel Procedure #9A, obtain sexual harassment training documentation from management, and observe that the

documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
  - i. Number and percentage of public servants in the agency who have completed the training requirements;
  - ii. Number of sexual harassment complaints received by the agency;
  - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
  - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - v. Amount of time it took to resolve each complaint.

*Were any exceptions found? - NA*

*These procedures are not applicable to this non-profit organization.*

### **Management's Responses**

**1Avi – The entity will update their contracting policy to include legal review provisions.**

**1Avii – The entity will update their credit card policy to include the (3) required approvers of statements.**

**2Ai – The entity will continue to make efforts to hold monthly board meetings with a quorum.**

**2Aiv – The entity is unable to resolve the audit findings due to a lack of sufficient financial resources.**

**3Aii – The entity will continue to make efforts to obtain a board member's sign off on all bank reconciliations.**

**5Bi, Cii – The entity will take this procedure under consideration. Due to limited administrative personnel, it may not be cost beneficial to require a second pre-purchase approval for applicable items.**

**5Bii, Cii – The entity will take this procedure under consideration. Due to limited administrative personnel, it may not be cost beneficial to require a second approval for applicable items.**

**5Biii, Cii – The entity will request another individual who does not process payments to periodically review the vendor records for accuracy.**

**5Biv, Cii – The entity will request another individual who does not process payments to mail the checks.**

**5Bv, Cii – The entity will request Executive Director (authorized check signer) approval on all electronic payments.**

**6Bi, 6C – The entity will include supporting invoices for all credit card charges.**

**12B – The entity will post the notice required by R.S. 24:523.1 on its premises.**

We were engaged by Literacy Council of Southwest Louisiana, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Literacy Council of Southwest Louisiana, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

*Steven M. DeRouen & Associates, LLC*

Lake Charles, Louisiana  
June 29, 2023