



**LUTHER SPEIGHT & COMPANY, LLC**  
**Certified Public Accountants and Consultants**

**SMOTHERS ACADEMY, INC.**

**AUDITED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**

## TABLE OF CONTENTS CONTINUED

SCHEDULE 4	
Experience of Public Principal, Assistant Principal, and Full-Time Classroom Teachers	36
SCHEDULE 5	
Public School Staff Data: Average Salaries	37
SCHEDULE 6	
Class Size Characteristics	38
SCHEDULE 7	
Louisiana Educational Assessment Program (LEAP)/PARCC	39
SCHEDULE 8	
Graduation Exit Examination (GEE)	40
SCHEDULE 9	
Integrated Louisiana Educational Assessment Program (iLEAP)/PARCC	41



**LUTHER SPEIGHT & COMPANY, LLC**  
**Certified Public Accountants and Consultants**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Smothers Academy  
Jefferson, Louisiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of Smothers Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. These 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smothers Academy as of June 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.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to the Chief Executive Officer and the Schedules Required by State Law are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of functional expenses – program services is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of Smothers Academy's internal control over financial reporting and on our test 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 Smothers Academy's internal control over financial reporting and compliance.



Luther Speight & Company CPAs  
New Orleans, Louisiana  
December 29, 2017

**Smothers Academy, Inc.**  
**Statement of Financial Position**  
**June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 91,909	\$ -	\$ 91,909
Grants Receivable	217,158	150,000	367,158
Other Current Assets	2,500	-	2,500
Total Current Assets	<u>311,567</u>	<u>150,000</u>	<u>461,567</u>
Property and Equipment, Net	<u>105,926</u>	<u>-</u>	<u>105,926</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 417,493</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 567,493</u></u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 148,376	\$ -	\$ 148,376
Payroll Accrual	134,845	-	134,845
<b>TOTAL LIABILITIES</b>	<u>283,221</u>	<u>-</u>	<u>283,221</u>
<b>NET ASSETS</b>			
Unrestricted	134,272	-	134,272
Temporarily Restricted	-	150,000	150,000
<b>TOTAL NET ASSETS</b>	<u>134,272</u>	<u>150,000</u>	<u>284,272</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 417,493</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 567,493</u></u>

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

**Smothers Academy, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	2017 <u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants			
State and local Minimum Foundation Program	\$ 3,188,509	\$ -	\$ 3,188,509
Federal	253,540	150,000	403,540
Athletic Department Revenue	23,412	-	23,412
Miscellaneous Revenue	26,538	-	26,538
Food Service Revenue	188,843	-	188,843
Released from Restriction	-	-	-
Total Support and Revenue	<u>3,680,842</u>	<u>150,000</u>	<u>3,830,842</u>
<b>EXPENSES</b>			
Program Services	1,798,750	-	1,798,750
Management and General	1,556,570	-	1,556,570
Other Services	191,250	-	191,250
TOTAL EXPENSES	<u>3,546,570</u>	<u>-</u>	<u>3,546,570</u>
Change in Net Assets	134,272	150,000	284,272
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>134,272</u>	<u>150,000</u>	<u>284,272</u>

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

**Smothers Academy, Inc.**  
**Statement of Cash Flows**  
**June 30, 2017**

	2017
<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 284,272
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	15,878
Net Changes in Assets and Liabilities:	
Decrease in Receivables	(367,158)
Increase in Other Assets	(2,500)
Increase in Accounts Payable	148,376
Decrease in Other Current Liabilities	134,845
Total Adjustments	(70,559)
Net Cash Provided by Operating Activities	213,713
<b>Cash Flows from Investing Activities</b>	
Purchase of Property and Equipment	(121,804)
Net Cash Used by Operating Activities	(121,804)
Net Increase in Cash and Cash Equivalents	91,909
<b>Cash and Cash Equivalents - Beginning of Year</b>	-
<b>Cash and Cash Equivalents - End of Year</b>	\$ 91,909

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

**Smothers Academy, Inc.**  
**Statement of Functional Expense**  
**For the Year Ended June 30, 2017**

	Program Services	Management and General	Other Services	2017 Total
Salaries	\$ 1,180,225	\$ 399,686	\$ -	\$ 1,579,911
Communications Expense	-	41,446	-	41,446
Custodial Services	-	69,502	-	69,502
Dues & Subscriptions	-	11,119	-	11,119
Equipment Rental	-	12,759	-	12,759
Food Service	-	-	191,250	191,250
Fringe Benefits	-	64,522	-	64,522
Insurance	-	216,742	-	216,742
Legal Services	-	22,000	-	22,000
Materials & Supplies	37,759	-	-	37,759
Miscellaneous Expense	-	72,002	-	72,002
Payroll Taxes	-	202,402	-	202,402
Professional Services	-	204,748	-	204,748
Rent	-	173,004	-	173,004
Repairs and Maintenance	-	28,828	-	28,828
Sports Equipment and Supplies	67,201	-	-	67,201
Textbooks and Workbooks	155,227	-	-	155,227
Transportation	358,338	-	-	358,338
Utilities	-	21,932	-	21,932
<b>Total Expenses</b>				
Before Depreciation	1,798,750	1,540,692	191,250	3,530,692
<b>Depreciation</b>	-	15,878	-	15,878
<b>Total Expenses</b>	<b>\$ 1,798,750</b>	<b>\$ 1,556,570</b>	<b>\$ 191,250</b>	<b>\$ 3,546,570</b>

The accompanying notes are an integral part of the financial statements

**SMOTHERS ACADEMY, INC.**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Smothers Academy (the School) is a Type 2 charter school that is focused on improving outcomes for male students. The School offers a multifaceted technology integrated curriculum focused on Science, Mathematics, Arts, and Sports developing students into competent, motivated, and selfless life-long learners committed to bettering their community. The School was approved by the Louisiana State Board of Elementary and Secondary Education (BESE) and opened its doors in August 2016. The School currently serves grades K through 6, with plans of eventually expanding to grades K through 12. The School is governed by a Board of Directors.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The School follows the provisions of Non-For-Profit Entities Topic of the Financial Accounting Standards Board Accounting Standards Codification 958 (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and classifications of resources into three separate categories of net assets, as follows:

- Unrestricted – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted – Net assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the School pursuant to those stipulations.
- Permanently Restricted – Net assets whose use by the School is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the School. There were no permanently restricted net assets as of June 30, 2017.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor imposed time or purpose restrictions.

**SMOTHERS ACADEMY, INC.**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 1 – (Continued)**

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the School considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Grants Receivable

The grants receivable are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

Property and Equipment

Expenditures for the acquisition of furniture and equipment are capitalized at cost. The fair value of donated property and equipment is similarly capitalized. The Academy's threshold for capitalization is \$500. Management will review every purchase over this amount to determine if it is worthy of capitalization. Depreciation is computed using the straight-line method for financial reporting purposes over the following estimated useful lives:

Furniture	5 – 7 years
Equipment	3 – 5 years

Concentration of Credit

The School maintains cash accounts with one commercial bank. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) by up to \$250,000 per financial institution for the year ended June 30, 2017. At times, the balance may exceed the federally insured amount. At June 30, 2017, the School's cash balances did not exceed the FDIC limit.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on the time spent on each program.

**SMOTHERS ACADEMY, INC.**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 1 – (Continued)**

Income Taxes

The Organization 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 Services as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the year ending June 30, 2017 is subject to examination by the IRS, generally for three years after they were filed.

Public Support and Revenue

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund. The School receives money from this program based on eligible students in attendance. MFP revenue accounts for 83% of the School's total support for the year ended June 30, 2017. Federal grants are on a cost reimbursement basis and account for 11% of the School's total support for the year ended June 30, 2017.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Underwater endowments will be included in net assets with donor restrictions and new or enhanced disclosures regarding the composition of net assets will be required. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the School's financial statements. The School has not elected to early adopt this standard.

**NOTE 2 – COMPENSATED ABSENCES**

Per School policy, vacation and sick time does not roll over from year to year. Therefore, management has determined that an accrual for compensated absences is not necessary at June 30, 2017.

**SMOTHERS ACADEMY, INC.**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 3 – PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2017 is as follows:

Furniture	\$ 115,621
Equipment	<u>6,183</u>
	121,804
Accumulated depreciation	<u>(15,878)</u>
Net book value	<u><u>\$ 105,926</u></u>

Depreciation expense for the year ended December 31, 2016 was \$15,878.

**NOTE 4 – GRANTS RECEIVABLE**

Grants receivable are deemed to be fully collectible by management and were comprised of the following as of June 30, 2017:

	<u>2017</u>
Grants Receivable	
Title I	\$ 137,609
Title IIA	24,306
IDEA Part B 611	41,540
IDEA Preschool 619	1,931
Charter School Start-up Rnd 1 Implementation	75,000
Charter School Start-up Rnd 2 Implementation	75,000
E-Rate	<u>11,772</u>
Total Grants Receivable	<u><u>\$ 367,158</u></u>

**SMOTHERS ACADEMY, INC.**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 5 – COMMITMENTS**

The School has employment contracts with most of its employees. The majority of the teacher contracts are for 3 years as long as they are in good standing with the School. The School is “at will”, which means the employment relationship may be terminated by either party, with or without cause, at any time.

The School entered into a 3 year lease agreement with the Jefferson Parish School Board on July 1, 2016 for the use of the school building. Rental expense for the year ending June 30, 2017 was \$173,004.

The future minimum lease payments are as follows:

<b>June 30:</b>	
2018	\$ 173,004
2019	173,004
	<hr/>
	\$ 346,008

**NOTE 6 – CONCENTRATIONS**

For the year ended June 30, 2017, the School received approximately 37% of its total revenue from State public school funds, and approximately 46% of its total revenue from Local sources.

**NOTE 7 – CONTINGENCIES**

**State Funding**

The continuation of the School is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

**SMOTHERS ACADEMY, INC.**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 8 – ACADEMIC PERFORMANCE AND CHARTER RENEWAL**

The BESE has created a statewide system of accountability for all public schools and school districts based on student achievement and minimum standards for the approval of schools. A letter grade system was adopted that is reflective of school and district performance, whereby any school that has been labeled academically unacceptable shall be assigned a grade of “F”.

For the year ended June 30, 2017, the School received an F rating based on the students’ standardized test scores. Per state law, the validity of each charter contract is contingent upon the school’s ability to meet certain academic, financial, and legal standards within an allotted time frame. If the School meets those standards, then the contract can be renewed for another set period of time. If the School fails to meet those standards and fails to improve the students’ test scores, then the contract will not be renewed and the School will be either closed altogether or transferred to a different operator.

Additionally, the contract can be revoked at any time by a majority vote of the BESE if they find that the School has violated the contract, fiscal standards, or the law. All charter schools are initially authorized for a 4-year term. The year ended June 30, 2017 was the School’s first year in its charter contract. Therefore, the decision to renew the School’s contract will be made no later than January 31, 2020. Although fiscal management findings are included in the Schedule of Findings and Recommendations we did not make a determination if those findings have potential impacts to the status of the School’s charter.

**NOTE 9 – SUBSEQUENT EVENTS**

Management of the School has evaluated all subsequent events through December 31, 2017, the date the financial statements were available to be issued. No additional disclosures are considered necessary.



LUTHER SPEIGHT & COMPANY, LLC  
Certified Public Accountants and Consultants

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

To the Board of Directors of  
Smothers Academy, Inc.  
Baton Rouge, 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 Smothers Academy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2017.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described at finding numbers 2017-01, 2017-04, and 2017-06 in the accompanying schedule of findings and questioned costs to be material weaknesses.

Continued,

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 Finding number 2017-02 in the accompany schedule of findings and questioned costs to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Smothers Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 at Finding numbers 2017-03 and 2017-05.

### **Smothers Academy's Response to Findings**

Smothers Academy Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Smothers Academy'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.



Luther Speight & Company CPAs  
New Orleans, Louisiana  
December 29, 2017

**SMOTHERS ACADEMY, INC.**  
**Summary of Auditor's Results**  
**June 30, 2017**

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

**Financial Statements**

An unmodified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified?        X   yes           no

Significant deficiencies identified  
not considered to be material weaknesses?      X   yes           no

Noncompliance material to financial statements noted?      X   yes           no

**SMOTHERS ACADEMY, INC.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2017**

FINDING NO. 2017-01: LACK OF SEGREGATION OF DUTIES

**CRITERIA:**

Best practices for governmental entities published by the Louisiana Legislative Auditor relating to proper bank reconciliations state “The written bank reconciliation is to be prepared by an employee who does not have responsibility/authority to (1) sign checks; or (2) receive and deposit cash; or (3) authorize disbursements.”

Further, implementing adequate segregation of duties is a critical element to maintaining system of adequate internal controls.

**CONDITION:**

The Organization does not have adequate segregation of duties in effect related to the finance and accounting function. Substantially all of the accounting duties are performed by the Chief Financial Officer including;

- 1) Authorized check signer – single signer
- 2) Prepares bank reconciliations
- 3) Records general ledger transactions
- 4) Prepares financial statements
- 5) Performs bank deposits

The Organization’s Chief Executive Officer does review and approve vendor accounts payable transactions and is also an authorized check signer. These duties provide some segregation of duties, however not sufficient to provide for an effective internal control environment.

**CAUSE:**

The Organization’s accounting function is not fully staffed.

**EFFECT:**

The Organization’s internal control environment is not adequate.

**MANAGEMENT RESPONSE:**

Smother's Academy Preparatory School understands the severity of the finding and have identified several individuals with the proper skill set this year within the organization to assist with the segregation of duties within the Department of Finance. During the 2016 -2017 Fiscal Year we did not the identify any staff members with the proper skill set to assist with the safeguarding of financial assets of the organization.

**SMOTHERS ACADEMY, INC.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2017**

FINDING NO. 2017-02: BANK RECONCILIATION PROCEDURES NOT ADEQUATE

**CRITERIA:**

Best practices for governmental entities published by the Louisiana Legislative Auditor relating to proper bank reconciliations state the following:

1. The written bank reconciliation is to be prepared by an employee who does not have responsibility/authority to (1) sign checks; or (2) receive and deposit cash; or (3) authorize disbursements.
2. The monthly bank reconciliations are to be properly completed, dated, and signed by both the preparer and reviewer/approver and be maintained on file for subsequent review and audit.

**CONDITION:**

The Organization's fiscal year-end bank reconciliation for the operating account reflected an unreconciled difference totaling \$33,480. Further review indicated the difference appeared to be related to transactions posted to the general ledger eight months prior to year-end.

**CAUSE:**

The Organization's bank reconciliation procedures did not include adequate follow-up and resolution of unreconciled differences.

**EFFECT:**

The unreconciled difference represents a potential financial statement misstatement and an indication of inadequate internal controls in effect.

**RECOMMENDATION:**

We recommend that the unreconciled difference totaling \$33,480 be researched and resolved. In addition, bank reconciliation procedures should be updated to require timely follow-up and resolution of all differences..

**MANAGEMENT RESPONSE:**

We identified the unreconciled difference several months ago and will resolve the unreconciled difference within the next 30 days. The unreconciled difference is identified as (1) one transaction in the Operating Account which was created to reflect an internal transfer to another bank account. At the time of the transaction, we were safeguarding MFP funding as preparation for an MFP Revenue Adjustment, which we were to expect in February of the next calendar year

**SMOTHERS ACADEMY, INC.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2017**

FINDING NO. 2017-03: NON-COMPLIANCE WITH OPEN MEETINGS LAW

**CRITERIA:**

R.S. 442:11 Open Meetings Law; requires that Charter School boards and their committees must conduct business on behalf of the charter school in a manner that is open and transparent to the public. Provisions for 1) quorum requirements 2) 24-hour meeting notice 3) website posting of meeting notice are all required provisions within the Open Meetings Law and are applicable to Charter Schools.

The Open Meetings Law further provides that meeting minutes be kept of all board and committee meetings and provide minimum documentation requirements.

**CONDITION:**

We were not provided with any minutes of meetings for the Organization's board of directors. In addition, review of the Organization's website did not reflect inclusion of any board minutes.

**CAUSE:**

We were unable to determine the cause for the condition.

**EFFECT:**

We were unable to determine if the Organization had proper governance oversight regarding its academic and financial activities. The Organization was not in compliance with the provisions of the Open Meetings Law.

**RECOMMENDATION:**

We recommend that board meeting minutes be documented, maintained on file at the Organization's office and be made available for public view.

**MANAGEMENT RESPONSE:**

Our Board of Directors has since submitted some Board of Directors Meeting Minutes from the 2016 – 2017 fiscal year and did comply on several occasions with Louisiana Revised Statute 42:11 thru 42:21 Open Meetings. We also provide public advance notices of the meetings and have submitted several Fiscal Year 2017 – 2018 Board Meeting Minutes to our auditors to show compliance with Louisiana Revised Statute 42:11 thru 42:21.

**SMOTHERS ACADEMY, INC.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2017**

FINDING NO. 2017-04: LACK OF DOCUMENTED POLICIES AND PROCEDURES

**CRITERIA:**

The Organization's charter contract, Section 7 related to Internal Controls states;

“Charter operator shall submit its Internal Control policy to the Department of Education for review and approval prior to beginning operations. The Department shall verify that the Internal Control policy for each Charter Operator contains the necessary procedures to ensure funds are safeguarded. All charter schools will be subject to selective, intermittent reviews of school financial records and internal control procedures. Additionally, the Department will use its risk assessment process to identify specific charter schools for mandatory internal control procedures review. Quarterly and annual financial reports will include certification that the Charter Operator's Internal Control procedures are being followed.”

**CONDITION:**

The Organization did not maintain a documented comprehensive accounting policy and procedure manual that included guidance for critical accounting activities.

**CAUSE:**

We were unable to determine the cause.

**EFFECT:**

The lack of documented accounting policies and procedures contributed to the inadequate internal control environment at the Organization.

**RECOMMENDATION:**

We recommend that the Organization develop and document a comprehensive accounting policy and procedure manual. Management should assure that full implementation is achieved.

**MANAGEMENT RESPONSE:**

We have since submitted to our auditors a Finance Department Policies and Procedure Manual. The Finance Department Policies and Procedure was under review as we understood the several aspects of our organization needed improvement due to the skill sets of the individuals on staff and the activities and ethical standards necessary to safeguard financial assets.

**SMOTHERS ACADEMY, INC.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2017**

FINDING NO. 2017- 05: CREDIT CARD EXPENSES INCLUDED PERSONAL USAGE

QUESTIONED COSTS: \$9,376

**CRITERIA:**

R.S. 17:414.3 limits a principal's discretion to expenses that benefit the educational purposes of the school, and LA. Const. Art. VII prohibits any gratuitous expenditure of school funds for non-education purposes that are either legally unauthorized or non-mandated.

**CONDITION:**

The Organization maintained a credit card for business use. Our examination of general ledger postings indicated that purchases totaling \$9,376 were charged to miscellaneous expense and appeared to include personal expenses and also appeared to include alcoholic beverages. We were not provided with the actual credit card statements and accordingly could not conclusively examine the purchase details.

**CAUSE:**

Organization policies and procedures regarding use of credit cards did not limit the use to business purposes.

**EFFECT:**

Governmental funding appears to have been used to fund ineligible expenses.

**RECOMMENDATION:**

We recommend that the Organization develop and implement a policy that restricts credit card usage to business purposes.

**MANAGEMENT'S RESPONSE:**

Smothers Academy Preparatory School has updated its Finance Policies and Procedures Manual to accurately reflect the State Rules and Regulations regarding credit card purchase and these expenditures will be refunded to the School by the end of March 31, 2018. These purchases reflect business meetings and organizational activities for Teachers, our United Family organization, and Fundraising Activities.

**SMOTHERS ACADEMY, INC.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2017**

FINDING NO. 2017-06:PAYROLL AND HUMAN RESOURCE PROCEDURES NOT ADEQUATE

**CRITERIA:**

Best practices for governmental entities published by the Louisiana Legislative Auditor relating to proper internal controls over payroll and personnel files state the following:

Payroll Documentation

Effective controls could consist of (1) including in the individual personnel files the approved salary or rate of pay amount; (2) requiring all employees to complete simple time reports to document hours worked; (3) requiring the time reports be approved by the appropriate supervisor; and (4) maintaining simple records to account for vacation and sick leave earned and taken by employees.

Employee Personnel Records

A personnel file should be maintained for each employee that contains, at a minimum, (1) the employment application form that includes background information (employee's name, address, date of birth, emergency contact) and work experience of the employee; (2) the approved starting salary or rate of pay amount; (3) the Federal Employee's Withholding Allowance Certificate Form W-4 and Louisiana Employee Withholding Exemption Certificate Form L-4; (4) approved salary or hourly pay rate increases/decreases; (5) employee authorized deductions (e.g., insurance, deferred compensation plan); (6) performance appraisals; (7) promotions; and (8) disciplinary actions.

Provisions set forth in the Louisiana Charter School Handbook provide for comparable requirements.

**CONDITION:**

The Organization's payroll processing and human resource procedures were not adequate and did not include sufficient documentation to support payroll disbursements. During our examination we noted the following:

- 1) The Organization outsourced its payroll processing and human resource function to separate companies. The coordination between the two companies and the Organization's accounting department was not adequate.
- 2) We examined a sample of sixty-two (62) payroll transactions and noted that authorized pay rates per personnel files did not agree with the gross pay computations for six (6) of our sample transactions. We also noted that the human resource files were not consistently documented and did not include all required documentation in many instances. Some of the more vital records, such as employment contracts, documentation of change in pay, sick and vacation leave documentation, signed experience verification forms, and background check information were missing from multiple personnel files

**SMOTHERS ACADEMY, INC.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2017**

Continued,

FINDING NO. 2017-06: PAYROLL AND HUMAN RESOURCE PROCEDURES NOT ADEQUATE

- 3) The Organization did not maintain documented timesheets or sign-in logs to evidence daily attendance of staff. They appeared to use negative attendance reporting for paid-time-off purposes.

**CAUSE:**

The Organization did not have a human resource manager or coordinator on staff.

**EFFECT:**

The internal control environment over payroll and human resources was not adequate.

**RECOMMENDATION:**

We recommend that the Organization delegate the coordination of human resource and payroll policies and procedures to a specific staff person. Policies should be updated to include documentation and approval of staff daily timesheets.

**MANAGEMENT'S RESPONSE:**

We did have several measures and process in place in regards to Payroll and Human Resources; however, we recognize these controls did not operate as strong as we would have expected. Due to the new information provide by our audit, we have implemented new processes and assigned additional members within the organization to manage and maintain the Human Resource files to ensure payroll information and employee files are accurate and in compliance with Louisiana Laws and Regulations.

**SMOTHERS ACADEMY, INC.**  
**Schedule of Prior Year Findings**  
**June 30, 2017**

The School opened its doors on August 22, 2016. As a result, there is no prior fiscal year.

**SMOTHERS ACADEMY, INC.**  
**Schedule of Compensation, Benefits, and Other Payments**  
**To Agency Head or Chief Executive Officer**  
**For the Year Ended June 30, 2017**

**Agency Head Name: Damon Smothers, CEO**

Purpose	Amount
Salary	\$ 100,000
Benefits-FICA	-
Benefits-insurance	-
Benefits-retirement	-
Benefits-executive parking	-
Car allowance	-
vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	15,000
	<u>\$ 115,000</u>



**LUTHER SPEIGHT & COMPANY, LLC**  
**Certified Public Accountants and Consultants**

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES - PERFORMANCE AND STATISTICAL DATA**

To the Board of Directors of  
Smothers Academy, Inc.  
New Orleans, LA

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Smothers Academy, Inc. (a nonprofit organization) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Smothers Academy, Inc. and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary And Secondary Education (BESE). Management of Smothers Academy, Inc. is responsible for the performance and statistical data. This agreed-upon procedures engagement was conducted in accordance with standards established by the American Institute of Certified Public Accountants, and applicable provisions of Government Auditing Standards published by the United States Comptroller General. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings related to the accompanying schedules of supplementary information are as follows:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sample expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on Schedule 1:
  - Total General Fund Instructional Expenditures
  - Total General Fund Equipment Expenditures
  - Total Local Taxation Revenue
  - Total Local Earnings on Investment in Real Property
  - Total State Revenue in Lieu of Taxes
  - Nonpublic Textbook Revenue
  - Nonpublic Transportation Revenue

**Findings:** None noted

Continued,

**Education Levels of Public School Staff (Schedule 2)**

2. We reconciled the total number of full-time classroom teachers per the schedule “Experience of Public Principal, Assistant Principal, and Full-time Classroom Teachers” (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school supporting payroll records as of October 1, 2016.

**Findings:** None noted.

3. We reconciled the combined total of principals and assistant principals per the schedule of “Experience of Public Principal, Assistant Principal, and Full-time Classroom Teachers” (Schedule 4) to the combined total of principals and assistant principals per this schedule.

**Findings:** None noted.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2016, and as reported on the schedule. We traced a random sample of 25 teachers to the individual’s personnel file and determined if the individual’s education level was properly classified on Schedule 2.

**Findings:** Per review of the personnel files, we noted that 18 out of 25 files did not contain the proper support to verify the education levels of the teacher sample. Of the 7 files that contained support verifying the education levels of the teachers, 1 of them did not match the education level stated on the list of teachers.

**Management’s Response:** We did have several measures and processes in place in regards to Payroll and Human Resources; however, we recognize these controls did not operate as strong as we would have expected. Due to the new information provide by our audit we have implemented new processes and assigned additional members within the organization to manage and maintain the Human Resource files to ensure payroll information and employee files are accurate and in compliance with Louisiana Laws and Regulations.

**Number and Type of Public Schools (Schedule 3)**

5. We obtained a list of schools by type as reported on Schedule 3. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

**Findings:** None noted

Continued,

**Experience of Public Principals, Assistant Principals, & Full-time Classroom Teachers (Schedule 4)**

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2016, and as reported on Schedule 4 and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

**Findings:** Per review of the personnel files, we noted that most of the sample contained Experience Verification Forms, but none of the 25 were signed and dated by the Employing Authority or had any other documentation that proved experience levels.

**Management's Response:** We did have several measures and processes in place in regards to Payroll and Human Resources; however, we recognize these controls did not operate as strong as we would have expected. Due to the new information provide by our audit, we have implemented new processes and assigned additional members within the organization to manage and maintain the Human Resource files to ensure payroll information and employee files are accurate and in compliance with Louisiana Laws and Regulations.

**Public School Staff Data: Average Salaries (Schedule 5)**

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on Schedule 5 and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on Schedule 5.

**Findings:** Per review of the personnel files, the salary information for 4 out of 25 teachers did not match the list of classroom teachers we were provided.

**Management's Response:** We did have several measures and processes in place in regards to Payroll and Human Resources; however, we recognize these controls did not operate as strong as we would have expected. Due to the new information provide by our audit, we have implemented new processes and assigned additional members within the organization to manage and maintain the Human Resource files to ensure payroll information and employee files are accurate and in compliance with Louisiana Laws and Regulations.

8. We recalculated the average salaries and full-time equivalents reported in Schedule 5.

**Findings:** Management did not provide extra compensation information for teachers and did not provide a calculation for this Schedule.

Continued,

**Management's Response:** We did have several measures and processes in place in regards to Payroll and Human Resources; however, we recognize these controls did not operate as strong as we would have expected. Due to the new information provide by our audit, we have implemented new processes and assigned additional members within the organization to manage and maintain the Human Resource files to ensure payroll information and employee files are accurate and in compliance with Louisiana Laws and Regulations.

**Class Size Characteristics (Schedule 6)**

9. We obtained a list of classes by school, school type, and class size as reported on Schedule 6 and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the roll books for those classes and determined if the class was properly classified on Schedule 6.

**Findings:** Of the 10 classes sampled, we noted that 7 of the class sizes were off by 1 student. Of the 7 classes with a variance, 1 class was in the wrong size category on Schedule 6.

**Management's Response:** We used a 3<sup>rd</sup> party to prepare the class listing report based upon our enrollment records. In the future we will double check the numbers they submit in the report.

**Louisiana Educational Assessment Program (LEAP) ( Schedule 7)**

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in Schedule 7 by Smothers Academy, Inc.

**Findings:** None noted

**Graduation Exit Examination (GEE) (Schedule 8)**

11. The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

**Integrated Louisiana Educational Assessment Program (iLEAP) (Schedule 9)**

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in schedule 9 by Smothers Academy, Inc.

**Findings:** None noted

Continued,

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

This report is intended solely for the use of management of Smothers Academy, the Louisiana Department of Education, the Louisiana Legislature, and Legislative Auditor, State of Louisiana, and the Jefferson Parish School Board, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in blue ink, appearing to read "Luther Speight", with a stylized flourish at the end.

Luther Speight & Company CPAs  
New Orleans, Louisiana  
December 29, 2017

**Smothers Academy, Inc.**  
**Schedules Required by State Law**  
**(R.S. 24:514 – Performance and Statistical Data)**

**Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenues**

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

**Schedule 2 – Education Levels of Public School Staff**

This schedule includes the certified and uncertified number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 3 – Number and Type of Public Schools**

This schedule includes the number of elementary, idle/junior high, secondary and combination schools in operations during the fiscal year. This data is currently reported to the Legislature in the annual Financial and Statistical Report (AFSR).

**Schedule 4 – Experience of public Principal, Assistant Principal, and Full-time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 5 – Public School Staff Data: Average Salaries**

This schedule includes average classroom teachers' salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 6 – Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Continued,

**Schedule 7 – Louisiana Education Assessment Program (LEAP)/PARCC**

This schedule represents student performance testing data and includes summary scores by district for grades 3, 4, 5, 6, 7 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**Schedule 8 – Graduation Exit Examination (GEE)**

The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

**Schedule 9 – Integrated Louisiana Education Assessment Program (iLEAP)/PARCC**

This schedule represents student performance testing data and includes a summary score for grades 3, 4, 5, 6, 7, and 8 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

**Smothers Academy, Inc.**  
**General Fund Instructional and Support Expenditures**  
**and Certain Local Revenue Sources**  
**For the Year Ended June 30, 2017**  
**Schedule 1**

**General Fund Instructional and Equipment Expenditures**

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 615,575	
Other Instructional Staff Activities	516,291	
Instructional Staff Employee Benefits	493,481	
Purchased Professional and Technical Services	566,756	
Instructional Materials and Supplies	182,904	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	-	\$ 2,375,007

Other Instructional Activities -

Pupil Support Activities -  
Less: Equipment for Pupil Support Activities -  
Net Pupil Support Activities -

Instructional Staff Services -  
Less: Equipment for Instructional Staff Services -  
Net Instructional Staff Services -

School Administration -  
Less: Equipment for School Administration -  
Net School Administration -

Total General Fund Instructional Expenditures (Total of Column B) 2,375,007

Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000) 74,644

**Certain Local Revenue Sources**

Local Taxation Revenue:

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

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property		-
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		-

See independent accountants' report on applying agreed-upon procedures

**Smothers Academy, Inc.**  
**General Fund Instructional and Support Expenditures**  
**and Certain Local Revenue Sources**  
**For the Year Ended June 30, 2017**  
**Schedule 1**

State Revenue in Lieu of Taxes:	
Revenue Sharing - Constitutional Tax	-
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue in Lieu of Taxes	-
	<hr style="border-top: 1px solid black;"/>
	<hr style="border-top: 1px solid black;"/>
Nonpublic Textbook Revenue	-
	<hr style="border-top: 1px solid black;"/>
Nonpublic Transportation Revenue	-
	<hr style="border-top: 1px solid black;"/>
	<hr style="border-top: 1px solid black;"/>

See independent accountants' report on applying agreed-upon procedures

**Smothers Academy Inc.**  
**Education Levels of Public School Staff**  
**For the Year Ended June 30, 2017**  
**Schedule 2**

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	3	43%	21	100%				
Master's Degree	1	14%					1	100%
Master's Degree + 30	1	14%						
Specialist in Education								
Ph. D. or Ed. D.	2	0						
<b>Total</b>	<b>7</b>	<b>100%</b>	<b>21</b>	<b>100%</b>	<b>-</b>		<b>1</b>	<b>100%</b>

**Smothers Academy, Inc.**  
**Number and Type of Public Schools**  
**For the Year Ended June 30, 2017**  
**Schedule 3**

<b>Type</b>	<b>Number</b>
Elementary	1
Middle/Jr. High	-
Secondary	-
Combination	-
<b>Total</b>	<b>1</b>

See independent accountants' report on applying agreed-upon procedures

**Smothers Academy, Inc.**  
**Experience of Public Principal, Assistant Principal,**  
**and Full-Time Classroom Teachers**  
**For the Year Ended June 30, 2017**  
**Schedule 4**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	<b>Total</b>
Assistant Principals	-	-	-	-	-	-	-	-
Principals	1	-	-	-	-	-	-	1
Classroom Teachers	6	5	8	1	3	3	2	28
<b>Total</b>	<b>7</b>	<b>5</b>	<b>8</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>29</b>

**Smothers Academy, Inc.**  
**Public School Staff Data: Average Salaries**  
**For the Year Ended June 30, 2017**  
**Schedule 5**

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
<b>Average Classroom Teachers' Salary Including Extra Compensation</b>	\$ 42,321	\$ 42,321
<b>Average Classroom Teachers' Salary Excluding Extra Compensation</b>	42,321	42,321
<b>Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries</b>	-	-

**Note:** Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

**Smother's Academy, Inc.**  
**Class Size Characteristics**  
**For the Year Ended June 30, 2017**  
**Schedule 6**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	19%	12	67%	42	14%	9	0%	-
Elementary Activity Classes	33%	4	25%	3	17%	2	25%	3
Middle/Jr. High	0%	-	0%	-	0%	-	0%	-
Middle/Jr. High Activity Classes	0%	-	0%	-	0%	-	0%	-
High	0%	-	0%	-	0%	-	0%	-
High Activity Classes	0%	-	0%	-	0%	-	0%	-
Combination	0%	-	0%	-	0%	-	0%	-
Combination Activity Classes	0%	-	0%	-	0%	-	0%	-

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

**Smothers Academy, Inc.**  
**Louisiana Educational Assessment Program (LEAP)/PARCC**  
**For the Year Ended June 30, 2017**  
**Schedule 7**

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 3 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	N/A	N/A	2%	N/A	N/A
Mastery	17%	N/A	N/A	8%	N/A	N/A
Basic	19%	N/A	N/A	26%	N/A	N/A
Approaching Basic	32%	N/A	N/A	36%	N/A	N/A
Unsatisfactory	32%	N/A	N/A	28%	N/A	N/A
Total	100%	N/A	N/A	100%	N/A	N/A

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 4 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2%	N/A	N/A	0%	N/A	N/A
Mastery	10%	N/A	N/A	12%	N/A	N/A
Basic	20%	N/A	N/A	28%	N/A	N/A
Approaching Basic	42%	N/A	N/A	40%	N/A	N/A
Unsatisfactory	26%	N/A	N/A	20%	N/A	N/A
Total	100%	N/A	N/A	100%	N/A	N/A

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 5 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	N/A	N/A	0%	N/A	N/A
Mastery	23%	N/A	N/A	8%	N/A	N/A
Basic	29%	N/A	N/A	44%	N/A	N/A
Approaching Basic	38%	N/A	N/A	40%	N/A	N/A
Unsatisfactory	10%	N/A	N/A	8%	N/A	N/A
Total	100%	N/A	N/A	100%	N/A	N/A

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
<b>Grade 6 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	N/A	N/A	0%	N/A	N/A
Mastery	9%	N/A	N/A	0%	N/A	N/A
Basic	15%	N/A	N/A	8%	N/A	N/A
Approaching Basic	57%	N/A	N/A	57%	N/A	N/A
Unsatisfactory	19%	N/A	N/A	35%	N/A	N/A
Total	100%	N/A	N/A	100%	N/A	N/A

See independent accountants' report on applying agreed-upon procedures

**Smothers Academy, Inc.**  
**Graduation Exit Exam (GEE)**  
**For the Year Ended June 30, 2017**  
**Schedule 8**

Not applicable: GEE is no longer administered.

**Smothers Academy, Inc.**  
**Integrated Louisiana Educational Assessment Program (iLeap)/PARCC**  
**For the Year Ended June 30, 2017**  
**Schedule 9**

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 3 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	-	-	0%	-	-
Mastery	12%	-	-	6%	-	-
Basic	26%	-	-	21%	-	-
Approaching Basic	29%	-	-	26%	-	-
Unsatisfactory	33%	-	-	47%	-	-
Total	100%	-	-	100%	-	-

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 4 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	-	-	0%	-	-
Mastery	8%	-	-	6%	-	-
Basic	36%	-	-	12%	-	-
Approaching Basic	32%	-	-	40%	-	-
Unsatisfactory	24%	-	-	42%	-	-
Total	100%	-	-	100%	-	-

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 5 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	-	-	0%	-	-
Mastery	13%	-	-	6%	-	-
Basic	47%	-	-	11%	-	-
Approaching Basic	23%	-	-	33%	-	-
Unsatisfactory	17%	-	-	50%	-	-
Total	100%	-	-	100%	-	-

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
<b>Grade 6 Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	-	-	0%	-	-
Mastery	6%	-	-	2%	-	-
Basic	37%	-	-	15%	-	-
Approaching Basic	34%	-	-	26%	-	-
Unsatisfactory	23%	-	-	57%	-	-
Total	100%	-	-	100%	-	-

Note: The School opened its doors in August 2016 so there are no test scores for 2015 & 2016.

See independent accountants' report on applying agreed-upon procedures



**LUTHER SPEIGHT & COMPANY, LLC**  
**Certified Public Accountants and Consultants**

**SMOTHERS ACADEMY, INC.**  
**AGREED UPON PROCEDURES REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**



LUTHER SPEIGHT & COMPANY, LLC  
Certified Public Accountants and Consultants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON  
PROCEDURES

To the Board of Directors of  
Smothers Academy, Inc.  
Jefferson, LA

We have performed the procedures enumerated below, which were agreed to by Smothers Academy, Inc. (the School) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The School's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of 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 required procedures and our findings are as follows:

***Written Policies and Procedures***

---

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

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

**Results:** The School did not provide written Budgeting policies and procedures that address 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.

**Results:** The School did not provide written Purchasing policies and procedures that address the above.

**Written Policies and Procedures (Continued)**

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

**Results:** The School did not provide written Disbursement policies and procedures that address the above.

- d) ***Receipts***, including receiving, recording, and preparing deposits

**Results:** The School did not provide written Receipt policies and procedures that address the above.

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

**Results:** The School did not provide written Payroll/Personnel policies and procedures that address the above.

- 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

**Results:** The School did not provide written Contracting policies and procedures that address the above.

- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

**Results:** The School did not provide written Credit Card policies and procedures that address the above.

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

**Results:** The School did not provide written Travel and expense reimbursement policies and procedures that address the above.

- 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.

**Results:** The School did not provide written Ethics policies and procedures that address the above.

**Written Policies and Procedures (Continued)**

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Results:** Not applicable, as the School is a nonprofit entity.

**Management's Response:** We have since submitted our auditors a Finance Department Policies and Procedures Manual. The Finance Department Policies and Procedures were under review as we understood that several aspects of our organization needed improvement due to the skill sets of the individuals on staff and the activities and ethical standards necessary to safeguard financial assets.

**Board (or Finance Committee, if applicable)**

---

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

**Results:** The School did not provide board minutes; thus, we were unable to determine the frequency of board meetings.

- 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).

**Results:** The School did not provide board minutes for review so we were unable to ascertain whether the minutes addressed budget-to-actual comparisons for any funds.

- 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.

**Results:** The School did not provide board minutes for review; thus, we were unable to ascertain if nonbudgetary financial information (e.g. approval of contracts and disbursements) were approved.

### Board (Continued)

**Management's Response:** Smothers Academy Board of Directors has since submitted some Board of Directors Meeting Minutes and did comply on several occasions with Louisiana Revised Statute 42:11 thru 42:21 Open Meetings. Smothers Academy did provide public advance notices of the meetings and has submitted several Fiscal Year 2017 – 2018 Board Meeting Minutes to our auditors to show compliance with Louisiana Revised Statute 42:11 thru 42:21. In addition, we did provide the auditors with Statements of Affirmation required by the State of Louisiana which is requirement for all Budgetary submission to the State of Louisiana. Smothers Academy Preparatory School has scored excellence in Submittal of General Fund Budget Forms which attest to the involvement of the Smothers Academy Board of Director at the Budgetary Level.

### Bank Reconciliations

---

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

**Results:** List and management's representations obtained.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

**Results:** 1) For the Cash-Operating bank account, the August 2016 reconciliation was not provided; we were unable to determine if it was prepared. 2) For the Cash-MFP bank account, the August 2016 and September 2016 bank reconciliations were not provided; thus, we were unable to determine if prepared; 3) For the Cash-Food Service bank account, the October 2016 bank reconciliation was not provided; thus, we were unable to determine if prepared; 4) Cash-Donations, the September 2016 through March, 2017 bank reconciliations were not provided; thus, we were unable to determine if 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

**Results:** The CEO, who reviews all of the organization's bank reconciliations also has an involvement in transactions associated with all bank accounts. The CEO is an authorized check signer and the bank reconciliation reviewer on all bank accounts.

## Bank Reconciliations (Continued)

- 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:** The Cash-Operating account bank reconciliation is unreconciled at 06/30/2017 (i.e., differing from the general ledger balance by \$33,380.35); the bank reconciliation contains 4 outstanding transactions totaling \$33,480.40 that has been outstanding for more than six months. Presently, management is researching the propriety of these reconciling items.

**Management's Response:** We identified the unreconciled difference several months ago and will resolve the unreconciled difference within the next 30 days. The unreconciled difference is identified as one transaction in the Operating Account which was created to reflect an internal transfer to another bank account. At the time of the transaction, we were safeguarding MFP funding in preparation for an MFP Revenue Adjustment, which we expected in February 2017. In addition, several of our bank accounts were not yet opened; therefore, there was not a reconciliation to perform. The outstanding August 2016 Cash -Operation bank reconciliation was performed and will be submitted with this document. In addition, we have strengthened our Financial Policies and Procedures to include more Segregation of Duties and additional bank reconciliation approval.

## Collections

---

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

**Results:** List and management's representation obtained.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

### Collections (Continued)

**Results:** Teachers and the Athletic Director collect cash and are not bonded by insurance; the CFO deposits cash collected into the bank; the CFO records the related deposit transaction; and the CFO reconciles the related bank account. There appear to be no compensating controls or mitigating controls performed by senior management or outside parties to address the lack of segregation of duties and incompatible job functions.

- 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.

**Results:** It appears that parties collecting cash (e.g., Teachers) do not retain prenumbered cash logs/prenumbered cash receipt books). Cash received by teachers are submitted to the Administrative office for recordation. We were unable to ascertain if the School retains sequentially numbered documentation and reconciliation worksheets to reconcile cash collections to the general ledger and/or subsidiary ledger by revenue source and/or fund.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

**Results:** We were not able to perform this procedure; however, management asserts that it deposits cash collections at least weekly.

- 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.

**Results:** We were unable to perform this procedure

**Management's Response:** During the audit testing of revenue we submitted supporting documentation for 3 transactions selected by the auditors which reflected dual signatures and one which reflects the usage of numbered cash receipts. In addition, we have updated our Financial Policies and Procedures to ensure consistency with cash collection in every aspect of the organization.

### Collections (Continued)

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

**Results:** The organization did not provide a policy manual or written procedure for collections. The CFO is responsible for custody, recordation, and the authorization of deposits without any compensating controls or mitigating controls

**Management's Response:** We have recently implemented additional policies and procedures to safeguard and strengthen cash collections..

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

---

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

**Results:** List and management's representations obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

**Results:** The School only provided one purchase order from the 25 sample items selected for testing; thus, we were unable to determine if purchases are initiated using a purchase requisition/purchase order system.

**Disbursements - General (Continued)**

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

**Results:** The School only provided one purchase order from the 25 sample items selected for testing. Upon review of the purchase order, we noted the PO was approved by an employee other than the one initiating the purchase. However, since we did not receive 24 of the purchase orders, we cannot ascertain if that is the School's normal PO policy.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

**Results:** Payments for purchases were made without approved requisition and/or purchase order, or electronic equivalent, or a receiving report showing receipt of goods purchased. However, all purchases include approved invoices.

**Management's Response:** We did submit the one (1) PO out of the sample. In addition, Smothers Academy Preparatory School did use Purchase Orders on a consistent basis. In the beginning of FY 2017 – 2018, Purchase Order Workbooks were issued to each Department Head in which CFO budgetary approval is required before engagement of any Goods or Services. Smothers Academy Preparatory School has currently updated its Financial Department Policies and Procedures Manual to include additional control to protect its Annual Budgetary objectives.

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

**Results:** The CFO is responsible for processing payments; however, we were not provided a policy and procedures manual; thus, we not able to ascertain if the CFO is prohibited from adding vendors to the entity's purchasing/disbursement system.

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

**Results:** The CFO has signatory authority; the CFO makes final authorization for disbursements; and the CFO has responsibility to initiate and record purchases.

**Management's Response:** We understand the severity of Audit FINDING NO. 2017-01: LACK OF SEGREGATION OF DUTIES and have identified several individuals this year within the organization to assist with the segregation of duties within the Department of Finance. During the 2016 -2017 Fiscal Year we did not the identify any current staff member which we could have implemented with the safeguarding financial assets of the organization.

**Disbursements - General (Continued)**

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

**Results:** The CFO has signatory authority and has access to the supply of unused checks; the School does not have compensating or mitigating controls.

**Management's Response:** We understand the severity of Audit FINDING NO. 2017-01: LACK OF SEGREGATION OF DUTIES and have identified several individuals this year within the organization to assist with the segregation of duties within the Department of Finance. During the 2016 -2017 Fiscal Year we did not the identify any current staff member which we could have implemented with the safeguarding financial assets of the organization.

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

**Results:** Not applicable. The School does not use a signature stamp or signature machine.

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

---

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

**Results:** Obtained list and management's representation.

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

**Credit Cards (Continued)**

**Results:** The School did not provide us with the monthly statements; thus, we were unable to determine the credit card statement and/or debit card statement with the largest dollar activity for each card to trace to supporting documentation noting review and approval by someone other than the authorized card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

**Results:** We were unable to determine if finance charges and/or late fees were assessed because the School did not provide monthly credit card or debit card statements.

**Management's Response:** We implemented additional policies and procedure to ensure credit card purchase are in accordance with Rules and Regulations of the State of Louisiana. We did submit an excel download of credit card transactions and activity. In addition, Smothers Academy will submit all Credit Card Statements for the 2016 – 2017 Fiscal Year for determination of late fees other matter described above.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
- An original itemized receipt (i.e., identifies precisely what was purchased)
  - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
  - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

**Results:** The School has not provided us with monthly statements so we were unable to pick a sample or determine if the transactions are supported by the items mentioned above.

- 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.

**Results:** We were unable to compare credit card transaction detail to the entity's written purchasing/disbursement policy and we were unable to determine if compliance with Louisiana Public Bid Law was applicable for any transaction.

### *Credit Cards (Continued)*

- 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.

**Results:** See results above.

**Management's Response:** We have implemented additional policies and procedure to ensure credit card purchase are in accordance with Rules and Regulations of the State of Louisiana. Smothers Academy did submit and excel download of credit card transactions and activity. In addition, Smothers Academy will submit all Credit Card Statements for the 2016 – 2017 Fiscal Year for determination of late fees other matter described above.

### *Travel and Expense Reimbursement*

---

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

**Results:** Obtained management's representation that the listing of travel expenses was complete.

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

**Results:** We were not provided written policies and procedures for travel and related expense reimbursements. The organizations reports \$94 of cumulative travel costs; these cost appear within GSA rates.

**Management's Response:** We do maintain travel and expense reimbursement policy and procedure. We use expense reimbursement forms which are required to have supporting receipts to receive reimbursement. If no receipts are attached to the reimbursement request approval for the reimbursement is required by the Chief Executive Officer before the Chief Financial Officer is allowed to disburse payment for reimbursement.

**Travel and Expense Reimbursement (Continued)**

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

**Results:** The organization did not provide a written travel policy; thus, we were unable to determine compliance with organizational policy; however, \$94 amounts appear within GSA rates.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

**Results:** The \$94 of travel and related expenses appear for business/public purpose attributable to parking and mileage.

- 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.

**Results:** No exceptions noted; however, see comments related to #15.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Results:** It appears that \$4 of parking cost was reviewed and approved by same party reimbursed.

### Travel and Expense Reimbursement (Continued)

**Management's Response:** We do maintain travel and expense reimbursement policy and procedure. We use expense reimbursement forms which are required to have supporting receipts to receive reimbursement. If no receipts are attached to the reimbursement request approval for the reimbursement is required by the Chief Executive Officer before the Chief Financial Officer is allowed to disburse payment for reimbursement

### Contracts

---

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

**Results:** Obtained management's representation that the listing is complete.

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

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

**Results:** We were unable to obtain contracts of vendors that were paid the most money during the fiscal year. Also, the list provided by the organization may not represent the 5 highest paid vendors.

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.

**Results:** Because we were unable to obtain vendor contracts and payment documentation for vendors, we were unable to determine whether any contracts were subject to Louisiana Public Bid Law or Procurement Code.

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.

**Contracts (Continued)**

**Results:** We were unable to determine if contracts were amended; no contract were presented for review.

- 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.

**Results:** Because we were unable to obtain vendor contracts and payment documentation for vendors; thus, we were unable compliance with related contract terms and conditions.

- 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:** The organization did not provide board minutes for review; thus, we were unable to determine board approval for contracts.

**Management's Response:** In fiscal year 2016 - 2017 we used a 3rd Party Vendor for all contract procurement activities. At the start of fiscal year 2017 - 2018 Smothers Academy Preparatory School hired an Director of Procurement to assure Smothers Academy is in compliance with all Louisiana State Procurement Laws.

**Payroll and Personnel**

---

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

**Results:** We obtained the list and management's representation.

- 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.

**Results:** Most personnel files lacked authorized rates of pay and/or employment contracts; thus, we were unable to determine if payments were made in strict accordance with terms and conditions of employment.

**Payroll and Personnel (Continued)**

- 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.

**Results:** The personnel files did not contain documentation authorizing changes in hourly pay rates/salaries.

**Management's Response:** We did have several measures and processes in place in regards to Payroll and Human Resources; however, we recognize these controls did not operate as strong as we would have expected. Due to the new information provide by our audit we have implemented new processes and assigned additional members within the organization to manage and maintain the Human Resource files to ensure payroll information and employee files are accurate and in compliance with Louisiana Laws and Regulations.

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

- 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.)

**Results:** The School did not provide attendance and leave records.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

**Results:** The School did not provide attendance and leave records. Thus, we were unable to determine if supervisors approved attendance and leave records of employees.

- 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.

**Results:** The School did not provide written leave records (e.g., hours earned, hours used, and balance available) for employees that earn leave.

**Payroll and Personnel (Continued)**

**Management's Response:** We did have several measures and process in place in regards to Payroll and Human Resources however, we recognize these controls did not operate as strong as we would have expected. Due to the new information provide by our audit we have implemented new processes and assigned additional members within the organization to manage and maintain the Human Resource files to ensure payroll information and employee files are accurate and in compliance with Louisiana Laws and Regulations.

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

**Results:** Obtained the list and management's representation.

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

**Results:** The School does not currently have a retirement plan. Payroll information was provided to us with no findings noted.

**Ethics (excluding nonprofits)**

---

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

**Results:** Not applicable as the School is a non-profit entity.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

**Results:** Not applicable as the School is a non-profit entity.

### ***Debt Service (excluding nonprofits)***

---

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

**Results:** Not applicable as the School is a non-profit entity.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

**Results:** Not applicable as the School is a non-profit entity.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

**Results:** Not applicable as the School is a non-profit entity.

### ***Other***

---

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

**Results:** No misappropriations of public funds of assets were noted. We will obtain management representation in the Management Representation letter.

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

**Results:** The School did not report on its premises nor on its website, the notice required by R.S. 24:523.1. This notice concerns the reporting of misappropriation, fraud, or abuse of public funds.

**Management's Response:** Smothers Academy Preparatory School will adhere to the required R.S. 24:523.1. by the first day of second semester of school which is January 3, 2018.

**Other (Continued)**

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

**Results:** No exceptions noted.

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

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

A handwritten signature in blue ink, appearing to read "Luther Speight", is written over the typed name and company information.

Luther Speight & Company CPAs  
New Orleans, Louisiana  
December 29, 2017