

THE ARC OF ST. CHARLES, INC.
(A NON- PROFIT ORGANIZATION)

AUDITED FINANCIAL REPORT

Years Ended June 30, 2017 and 2016

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UZEE, BUTLER, ARCENEUX & BOWES

CERTIFIED PUBLIC ACCOUNTANTS
2067 PAXTON STREET
HARVEY, LOUISIANA 70058

JAMES L. BUTLER, CPA
PATRICK J. BOWES, CPA

DOUGLAS L. UZEE, CPA
(1926 - 1988)

N. PAUL ARCENEUX, CPA
(RETIRED)

(504) 347-0441
FAX (504) 347-0467

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
The ARC of St. Charles, Inc.
Boutte, Louisiana**

Report on the Financial Statements

We have audited the accompanying financial statements of The ARC of St. Charles, Inc. (a non-profit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Charles, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of compensation, benefits, and other payments to agency head or chief executive officer as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 on our consideration of The ARC of St. Charles, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The ARC of St. Charles, Inc.'s internal control over financial reporting and compliance.


Harvey, Louisiana
December 20, 2017

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and Cash Equivalents - unrestricted	\$ 586,904	\$ 760,489
Accounts Receivable	253,424	229,459
Deposits	5,765	4,965
Inventory	96,098	41,488
Prepaid Expenses	<u>47,790</u>	<u>21,428</u>
Total Current Assets	<u>989,981</u>	<u>1,057,829</u>
Property and Equipment		
Buildings	636,217	288,412
Furniture and Equipment	247,439	267,169
Vehicles	<u>234,639</u>	<u>256,709</u>
	1,118,295	812,290
Less: Accumulated Depreciation	<u>(461,593)</u>	<u>(521,261)</u>
Net Property and Equipment	<u>656,702</u>	<u>291,029</u>
TOTAL ASSETS	<u>\$ 1,646,683</u>	<u>\$ 1,348,858</u>

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2017 AND 2016

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts Payable	\$ 77,020	\$ 87,465
Notes Payable – Current Portion	122,451	172,627
Accrued Payroll	<u>91,403</u>	<u>81,582</u>
Total Current Liabilities	<u>290,874</u>	<u>341,674</u>
 Long-Term Liabilities		
Notes Payable – Non Current Portion	<u>250,212</u>	<u>-0-</u>
Total Long-Term Liabilities	<u>250,212</u>	<u>-0-</u>
 Net Assets		
Unrestricted	<u>1,105,597</u>	<u>1,007,184</u>
Total Net Assets	<u>1,105,597</u>	<u>1,007,184</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>1,646,683</u>	 \$ <u>1,348,858</u>

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

REVENUES, GAINS, AND OTHER SUPPORT, UNRESTRICTED	<u>2017</u>	<u>2016</u>
Ad Valorem Tax	\$ 821,882	\$ 843,000
Dept. of Health and Hospital Services - Office of Citizens with Developmental Disabilities	17,784	10,500
Dept. of Health and Hospital Services - Medicaid	2,055,741	2,267,959
Res-Care, Inc.	55,732	69,596
United Way	107,250	101,385
Supported Employment/Job Revenue	347,603	295,820
Respite/Sitter Services	42,810	29,383
Transportation Charges	497	8,946
Contributions	76,601	127,930
Interest Income	363	369
Fund Raising	7,240	12,979
ARC Festival	28,866	33,746
Grants	60,300	60,000
Other Income	82,171	94,362
L/T Personal Care Services	<u>80,053</u>	<u>70,156</u>
 TOTAL REVENUES, GAINS, AND OTHER SUPPORT, UNRESTRICTED	 <u>3,784,893</u>	 <u>4,026,131</u>
 EXPENSES		
Program Services	3,164,403	3,021,290
Supporting Services	<u>522,077</u>	<u>434,249</u>
 TOTAL EXPENSES	 <u>3,686,480</u>	 <u>3,455,539</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 <u>98,413</u>	 <u>570,592</u>
 Unrestricted Net Assets, Beginning of Year	 <u>1,007,184</u>	 <u>436,592</u>
Unrestricted Net Assets, End of Year	\$ <u>1,105,597</u>	\$ <u>1,007,184</u>

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>JUNE 30, 2017</u>		<u>JUNE 30, 2016</u>	
	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>
Payroll - Staff	\$2,203,654	\$ 279,075	\$ 2,092,847	\$ 233,400
Payroll - Clients	97,755	-0-	86,015	-0-
Payroll Taxes	190,907	21,431	178,254	20,807
Bonus and Awards	-0-	-0-	40	-0-
Insurance - Health	150,273	24,202	131,449	23,587
Professional Fees	34,427	40,919	34,002	42,254
Dues	13,421	-0-	12,426	-0-
Equipment	7,090	-0-	6,800	-0-
Donations	1,049	-0-	250	-0-
Licenses	1,730	-0-	1,253	-0-
Maintenance and Repairs	37,553	17,559	32,732	3,200
Miscellaneous	-0-	-0-	31	1,848
Office Supplies	4,793	26,636	88	17,994
Supplies	54,400	-0-	51,851	-0-
Telephone	16,694	12,556	16,738	3,237
Travel and Seminars	20,507	16,708	19,766	7,110
Fuel	34,997	-0-	24,198	-0-
Property and Liability Insurance	53,598	3,772	78,088	11,863
Insurance - Workers' Compensation	77,936	4,563	77,904	3,748
Bank Charges	1,260	-0-	1,849	-0-
Meetings and Events	15,664	-0-	10,351	-0-
Fines and Penalties	3,638	-0-	3,229	-0-
Depreciation	52,668	9,361	37,990	-0-
Employee Expense	11,295	256	9,500	601
Fund Raising	-0-	12,676	-0-	18,782
Utilities	13,328	5,062	21,311	5,567
Interest	-0-	17,604	-0-	13,808
Taxes	-0-	-0-	4,200	-0-
Advertising	1,103	5,684	558	8,659
Auto	1,828	-0-	3,962	-0-
Rent	42,115	19,153	56,400	17,784
Contractual Service	18,719	-0-	27,208	-0-
Retirement	-0-	4,860	-0-	-0-
Loss on Disposal of Asset	2,001	-0-	-0-	-0-
Total	<u>\$ 3,164,403</u>	<u>\$ 522,077</u>	<u>\$ 3,021,290</u>	<u>\$ 434,249</u>

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Increase (Decrease) in Net Assets	\$ 98,413	\$ 570,592
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	62,029	37,990
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(23,965)	72,825
Inventory	(54,610)	(15,651)
Deposits	(800)	-0-
Prepaid Expenses	(26,362)	22,145
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(10,445)	25,037
Accrued Payroll	<u>9,821</u>	<u>10,648</u>
Net Cash Provided (Used) by Operating Activities	<u>54,081</u>	<u>723,586</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(429,703)	(160,749)
Disposals of Property and Equipment	<u>2,001</u>	<u>-0-</u>
Net Cash Provided (Used) by Investing Activities	<u>(427,702)</u>	<u>(160,749)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable	<u>200,036</u>	<u>103,298</u>
Net Cash Provided (Used) by Financing Activities	<u>200,036</u>	<u>103,298</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(173,585)	666,135
Cash and Cash Equivalents, Beginning of Year	<u>760,489</u>	<u>94,354</u>
Cash and Cash Equivalents, End of Year	\$ <u>586,904</u>	\$ <u>760,489</u>

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

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

1. SIGNIFICANT ACCOUNTING POLICIES

A. The ARC of St. Charles, a non-profit organization, is committed to providing services and supports that enable people of all ages with developmental and intellectual disabilities and special needs to attain their full potential. The financial statements of The ARC of St. Charles, Inc. have been prepared on the accrual basis; therefore, certain revenues and the related assets are recognized when earned rather than when received, and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.

B. Business Activity

The ARC of St. Charles, Inc. trains the intellectually and developmentally disabled citizens of the parish that are over 17 years of age. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews, personal hygiene, daily living skills (making change, telling time, safety), recognition of danger signs, physical training, and maximization of individual potential. The Organization also provides transportation for all activities including daily instruction classes. Funding for the Organization is primarily derived from the dedicated millage provided by St. Charles Parish taxpayers, and from third party reimbursement arrangements. These revenues and the allowability of the related expenditures are subject to audits by the granting agencies. In addition, the Organization also receives funding from appropriations from State agencies, and contributions from the public. Additional revenue is also generated from services performed by clients.

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

D. Liquidity and Availability

All of The ARC of St. Charles, Inc.'s financial assets are available for general expenditure, with the exception of revenue received from its St. Charles Parish millage. The ARC of St. Charles, Inc. has no financial assets with donor restrictions. However, by way of the cooperative endeavor agreement between The ARC of St. Charles, Inc. and the St. Charles Parish Council, all revenue generated from this millage is required to be spent in activities pertaining to St. Charles Parish only. As a part of its liquidity management, The ARC of St. Charles, Inc. has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, The ARC of St. Charles, Inc. invests cash in excess of daily requirements in short-term investments.

E. Accounts Receivable

The Organization, in regards to uncollectible accounts, utilizes the direct write off method. Therefore, no allowance for doubtful accounts is utilized. Management believes this to be the most effective method for purposes of recording uncollectible accounts. There were no bad debts written off for the years ended June 30, 2017 and 2016.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016

F. Inventory and Thrift Shop Donations

The Thrift Shop, which is owned and operated by the Organization, receives donated household items on a daily basis. These donations can be used, repaired, or cleaned for resale. However, some items received are of poor condition and are later discarded. It is, therefore, not practicable to determine the fair value of the donated items at the time of receipt. Accounting principles generally accepted in the United States of America require that donated property be recorded at its fair value at the time of receipt. The items retained for resale are, however, recorded at their fair value on an annual basis at the time the fiscal year end inventory is recorded. Thrift shop values are used to estimate the fair value of the items retained for inventory. This value is then utilized in the inventory adjustment and is, therefore, included in the overall determination of the Statement of Financial Position and the Statement of Activities.

G. Ad Valorem Tax/Millage

Annually, The ARC of St. Charles, Inc. receives a millage from St. Charles Parish (.70 mills for a term of 10 years) for funding purposes. The approximate amount of revenue from this millage is estimated to be \$832,000 for the upcoming year. The proceeds are required to be used exclusively in St. Charles Parish as a result of a cooperative endeavor agreement signed between The ARC of St. Charles, Inc. and the St. Charles Parish Council. Under the agreement, The ARC of St. Charles, Inc. will jointly engage in activities to achieve the goal of promoting the well-being of persons with special needs and developmental and intellectual disabilities.

H. Donations of Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as structured by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful life. Acquisitions of property and equipment in excess of \$400 and having a useful life of over one year are capitalized.

I. Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016

J. Classification of Net Assets

Financial Accounting Standards Board Codification No. 958 entitled "Not-For-Profit Entities" requires that net assets and changes in net assets be reported in three classifications – permanently restricted, temporarily restricted, and unrestricted – based on the existence or absence of donor imposed restrictions of the assets to a particular purpose. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. The Organization has no temporarily restricted net assets.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations. The Organization has no permanently restricted net assets.

K. Use of Estimates

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

2. LEASES

The Organization leases its operating facilities from the St. Charles Parish School Board under a monthly operating lease at a charge of \$1,245.88 per month effective July 1, 2016 for a term of 60 months ending June 30, 2021. The Organization pays all insurance, maintenance, and improvements. The lessor may cancel the lease if the facilities are needed for school purposes. The Organization's Thrift Shop leased its facilities under a five year cancellable lease which began September 1, 2010 and ended February 28, 2016 at a rate of \$4,700 per month. This lease was extended as a month-to-month lease beginning March 1, 2016 through December 2016 when their new premises were purchased and became available for use. The Organization leased facilities for its beads and shredding under a two year lease which began October 1, 2016 at a rate of \$975 per month.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016

2. LEASES - continued

The minimum lease payments payable on the Organization's leases for the next five years are as follows:

<u>Fiscal Year</u> <u>End</u>	<u>Minimum</u> <u>Lease Payments</u>
June 30, 2018	\$ 24,519
June 30, 2019	\$ 18,669
June 30, 2020	\$ 17,739
June 30, 2021	\$ 14,951
June 30, 2022	\$ -0-

3. CONTRIBUTED SERVICES

A number of unpaid volunteers have made contributions of their time to the Organization during the year. The value of this contributed time is not reflected in these statements since it is not material and is not susceptible to objective measurement or valuation.

4. CONTRACT REVENUES

The Organization entered into a contract with the Department of Health and Hospitals to provide training to individuals with intellectual and developmental disabilities that are over 17 years of age in St. Charles Parish. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews, and behavioral skills.

The Organization also entered into a contract with Res-Care, Inc. (a residential provider) to provide day training to other mentally and developmentally handicapped citizens. The type of training provided is explained in the preceding paragraph.

The Organization receives its largest operating revenue for providing training and daycare to Medicaid clients.

5. INVESTMENTS AND FAIR VALUE MEASUREMENT

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016

5. INVESTMENTS AND FAIR VALUE MEASUREMENT - continued

- Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

During the period ended June 30, 2017, the Organization invested \$51,341 in First National Bank as discussed below.

The amortized cost and fair values measured on a recurring basis of investments as of June 30, 2017 are as follows:

	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Level 2 Cost Basis Certificate of Deposit	\$ 51,341	\$ 51,341	\$ -0-

6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2017	2016
Dept. of Health and Hospitals	\$ 208,136	\$ 198,221
St. Charles Parish Finance Department	4,675	8,500
Res-Care, Inc.	-0-	6,928
SCLHA-DDS	-0-	2,170
St. Charles Public Works	-0-	1,575
St. Charles Parish Schools	19,659	-0-
EDS-LA Department of Revenue	3,273	-0-
OCDD	2,345	-0-
Miscellaneous	15,336	12,065
	\$ 253,424	\$ 229,459

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016

7. PROPERTY AND EQUIPMENT

Property and equipment, and depreciation activity for the year ended June 30, 2017 are as follows:

	Balance 7-1-16	Additions	Deletions	Balance 6-30-17
Buildings	\$ 288,412	\$ 347,805	\$ -0-	\$ 636,217
Furniture & Equipment	267,169	34,201	53,931	247,439
Vehicles	256,709	47,697	69,767	234,639
	<u>812,290</u>	<u>429,703</u>	<u>123,698</u>	<u>1,118,295</u>
Less: Accumulated Depreciation	(521,261)	(62,029)	(121,697)	(461,593)
Net Property & Equipment	<u>\$ 291,029</u>	<u>\$ 367,674</u>	<u>\$ 2,001</u>	<u>\$ 656,702</u>

8. ECONOMIC DEPENDENCY

The Organization depends on the Department of Health and Hospitals and ad Valorem Tax for a major portion of its support.

9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISKS

The ARC of St. Charles, Inc. extends a substantial amount of credit to several non-profit and state agencies such as the Department of Health and Hospitals and Res-Care, Inc.

10. INCOME TAXES

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Therefore, the Organization has not recorded a provision for income taxes in the accompanying financial statements. The Organization files a federal income tax return under U. S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U. S. federal tax examination by tax authorities for the tax years before 2013. In regards to tax uncertainties, the Organization has reviewed its tax positions, and determined there were no outstanding or retroactive tax positions as of June 30, 2017.

11. TEMPORARILY RESTRICTED NET ASSETS

There are no temporarily restricted net assets held by the Organization as of June 30, 2017.

12. THREATENED AND PENDING LITIGATION

Due to the nature of the work performed and in the regular course of business, The ARC of St. Charles, Inc. is subject to ongoing potential litigation. As of the year ended June 30, 2017, there is presently no pending litigation which would have a material effect upon the financial statements.

13. 401K PROFIT SHARING PLAN

The Organization maintains a 401K Profit Sharing Plan for its employees. The minimum age requirement of the plan is 21 years of age and the minimum service requirement is one year of service, which constitutes a period of twelve consecutive months in which the employee completes at least 1000 hours of service. The plan contains a discretionary employer matching contribution. The matching contributions made for the years ended June 30, 2017 and 2016 were \$4,860 and zero, respectively.

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016

14. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The Organization maintains a money market account with Mutual of America Institutional Funds, Inc. The balance (which is not covered by FDIC insurance) totaled \$3,861 and \$81,762 as of June 30, 2017 and 2016. The account is insured by the SIPC (Securities Investor Protection Corporation) which is a non-profit organization formed by Congress in 1970 to assist in compensating securities losses up to \$100,000. It is not, however, the equivalent of FDIC insurance, as it only guarantees losses up to the amount of assets the fund possesses. Concentrations of credit risk with respect to trade receivables are limited due to the number of customers comprising the Organization's customer base and their dispersion across different industries. As of June 30, 2017, the Organization had no significant concentrations of credit risk.

15. COMPENSATED ABSENCES

The employees of The ARC of St. Charles, Inc. are currently not reimbursed for unused vacation and sick leave, and must actually use leave time for it to be incurred. Employees may carry no more than eighty hours into a new calendar year. The balance of the accrued liability for compensated absences for June 30, 2017 and 2016 was \$55,212 and \$34,113, respectively.

16. POST-EMPLOYMENT BENEFITS

At present, there are no former employees of The ARC of St. Charles, Inc. who are receiving post-employment benefits, and any liability due to the Organization's benefit structure is considered to be immaterial.

17. SUBSEQUENT EVENTS

At present, The ARC of St. Charles, Inc. is in the process of a building expansion of its thrift shop production department. The total cost of the expansion is currently budgeted at approximately \$100,000. Completion of the project is expected to be in April of 2018. Management evaluates events occurring subsequent to the date of the financial statements to determine the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 20, 2017 which is the date the financial statements were available to be issued. No events occurring after this date have been evaluated for inclusion in these financial statements.

THE ARC OF ST. CHARLES, INC.
 (A NON-PROFIT ORGANIZATION)
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
 TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
 FOR THE YEAR ENDED JUNE 30, 2017

Agency Head Name: Victoria Bryant

Purpose:	<u>Amount</u>
Salary	\$ 76,539
Benefits – insurance	14,870
Benefits – retirement	342
Benefits – other	-0-
Car Allowance	-0-
Vehicle provided by Organization	-0-
Per diem	-0-
Reimbursements	48
Travel	646
Registration fees	6,547
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Cell phone	1,759
Unvouchered expenses	-0-
Meals	-0-
	<u>\$ 100,751</u>

OTHER SUPPLEMENTAL INFORMATION

UZEE, BUTLER, ARCENEUX & BOWES

CERTIFIED PUBLIC ACCOUNTANTS
2067 PAXTON STREET
HARVEY, LOUISIANA 70058

JAMES L. BUTLER, CPA
PATRICK J. BOWES, CPA
DOUGLAS L. UZEE, CPA
(1926 - 1988)
N. PAUL ARCENEUX, CPA
(RETIRED)

(504) 347-0441
FAX (504) 347-0467

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

**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
The ARC of St. Charles, Inc.
Boutte, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The ARC of St. Charles, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control Over Financial Reporting

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

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

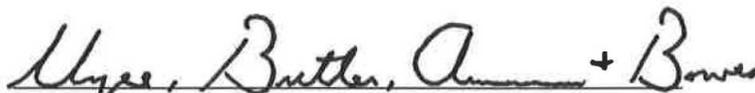
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The ARC of St. Charles, Inc.'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 ARC of St. Charles, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Harvey, Louisiana
December 20, 2017

THE ARC OF ST. CHARLES, INC.
(A NON-PROFIT ORGANIZATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED JUNE 30, 2017 and 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unmodified opinion on the basic financial statements of The ARC of St. Charles, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported as of June 30, 2017 and 2016.
3. No instances of noncompliance material to the financial statements of The ARC of St. Charles, Inc. as of June 30, 2017 and 2016 were disclosed in Part B of this schedule.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

THE ARC OF ST. CHARLES, INC.
 (A NON-PROFIT ORGANIZATION)
 SCHEDULE OF CURRENT AND PRIOR YEAR AUDIT FINDINGS
 AND CORRECTIVE ACTION PLAN
 YEARS ENDED JUNE 30, 2017 AND 2016

<u>Ref No.</u>	<u>Fiscal Year Findings Initially Occurred</u>	<u>Description of Findings</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
CURRENT YEAR (6/30/17)						
<u>Internal Control:</u>						
17-01	Unknown	None	N/A	N/A	Victoria Bryant Executive Director	N/A
PRIOR YEAR (6/30/16)						
<u>Internal Control:</u>						
16-01	Unknown	None	N/A	N/A	Victoria Bryant Executive Director	N/A

THE ARC OF ST. CHARLES, INC.
(A Non-Profit Organization)

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Year Ended June 30, 2017

UZEE, BUTLER, ARCENEUX & BOWES

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2067 PAXTON STREET
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Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Board of Directors of The ARC of St. Charles, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by The ARC of St. Charles, Inc. and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2016 through June 30, 2017. The ARC of St. Charles, Inc.'s management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the Organization'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 Organization does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts**, including receiving, recording, and preparing deposits.
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit 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.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

We obtained The ARC of St. Charles, Inc.'s written policies and procedures manual as well as their employee handbook. The policies and procedures manual and employee handbook address each of the following financial/business functions as listed above:

- *Budgeting.*
- *Purchasing.*
- *Disbursements.*
- *Receipts.*
- *Payroll/Personnel.*
- *Contracting.*
- *Credit Cards, Debit Cards, Fuel Cards, and P-Cards.*
- *Travel and Expense Reimbursements.*

The ARC of St. Charles, Inc. is not subject to the requirements of the Louisiana Public Bid Law.

Board (or Finance Committee, if applicable)

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

We obtained the minutes for all board meetings of The ARC of St. Charles, Inc. for the fiscal year ended June 30, 2017.

- 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.

The Board of Directors met with a quorum for all meetings except February 2017. Since there was no quorum present at the February 2017 meeting, no motions or votes were taken at that meeting.

- 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).

The ARC of St. Charles, Inc.'s financial statements only contain a general fund. The budget-to-actual comparisons for The ARC of St. Charles, Inc. were referenced in the minutes for the meetings of November 2016, January 2017, and June 2017. A recommendation was made that all board meeting minutes should reference the budget-to-actual comparisons for that month.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those Organizations with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The minutes do not reference any deficit spending because The ARC of St. Charles, Inc. does not report a fund balance deficit.

- 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.

Non-budgeting information such as fundraising and the Cajun Village facilities contract were referenced in many month's minutes. This particular information was noted in the minutes of October 2016 as one example.

Bank Reconciliations

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

We obtained a listing of The ARC of St. Charles, Inc.'s bank accounts from the client's trial balance. Management stated that this listing is complete in their management representation letter dated December 20, 2017.

- 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). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

The ARC of St. Charles, Inc. has an operating account with First American Bank; a money market account, millage checking account, and certificate of deposit with First National Bank; and an investment account with Mutual of America. We selected and obtained bank statements and reconciliations for all accounts and all months for the fiscal year ended June 30, 2017 (except for the certificate of deposit for which a monthly statement is not available).

- a) Bank reconciliations have been prepared.

Bank reconciliations were prepared for all months.

- 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.

All bank reconciliations were approved by the Executive Director who has no involvement in the transactions associated with the bank account.

- 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.

All old outstanding items were researched and written off by the end of the fiscal year ended June 30, 2017.

Collections

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

We obtained a listing of cash/check/money order collection locations from The ARC of St. Charles, Inc.'s management. Management stated that this listing is complete in their management representation letter dated December 20, 2017.

- 6. Using the listing provided by management, select all of the Organization'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).

The main office of The ARC of St. Charles, Inc. does not collect cash. There are two other locations that do collect cash: The Cajun Village Thrift Store and The Throw Me Something Mister Mardi Gras Bead Distribution Center.

For each cash collection 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.

After conducting our examination, we found that all employees, including the employees who collect cash, were bonded.

Collection location #1 (Cajun Village Thrift Store):

The person in charge of collecting cash actually deposits the cash in the bank and fills out the deposit slip. She does not reconcile the related bank account or record the related transaction. It was also found that she shares the same cash register with other employees. A recommendation has been made to correct these items.

Collection location #2 (Throw me Something Mister Mardi Gras Bead Distribution Center):

Our inspection found that the employee is not responsible for depositing the cash in the bank, does not record the related transaction, and does not reconcile the related bank account. We also found that the cash register at the site is broken and is not properly used. However, as there is only one person using the cash register, it is not being shared with another employee. A recommendation was made to replace the cash register with one that automatically issues a receipt similar to the cash register at the Cajun Village Thrift Store.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Organization 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.

We obtained existing written documentation to report that the Organization has a formal process to reconcile cash collections to the general ledger by collection source location. This is done by a person who is not responsible for cash collections at the two locations listed above.

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

We selected the highest week of cash collections from the general ledger and investigated whether the deposits were made within one day of actual collection. Deposits from the Cajun Village Thrift Store were made the same day as collected and deposits from the Throw Me Something Mister Mardi Gras Bead Distribution Center were made the following day.

- Using sequentially numbered receipts, system reports, and other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

By examining the Organization's receipts and deposit slips, we were able to verify that daily cash collections are completely supported by documentation and found no exceptions.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Organization has a process specifically defined (identified as such by the Organization) 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.

In our investigation to determine whether the Organization has a process specifically defined to determine completeness of all collections for each revenue source, we found that, due to the nature of the operation of The ARC of St. Charles, Inc., it would be difficult to achieve such a process.

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

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

We obtained a listing of The ARC of St. Charles, Inc.'s disbursements from the Organization's check registers. Management stated that this listing is complete in their management representation letter dated December 20, 2017.

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 Organization 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.

We selected 25 disbursements from the above check registers and obtained supporting documentation for each transaction.

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.

Purchases were initiated using a purchase requisition form for those types of purchases which were required by policy. Certain recurring expenses (i.e. utilities) did not include a purchase requisition.

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

Our inspection found that approximately 50% of the purchases utilizing a purchase requisition did not contain a signature of a person who did not initiate the purchase. A recommendation was made that all purchases are to be approved by a person who did not initiate the purchase.

- c) Payments for the 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.

Our inspection found that there were no payments for purchases that were processed without an approved purchase requisition. Receiving reports are not used by The Arc of St. Charles, Inc. All purchases we inspected contained a properly approved invoice with a stamp bearing a responsible person's approval who did not initiate the purchase.

10. Using the Organization's 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.

The ARC of St. Charles Inc.'s policies and procedures manual prohibits anyone from adding vendors to the Organization's purchasing/disbursement system without the approval of the Executive Director.

11. Using the Organization's 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.

The Executive Director has final signatory authority and makes the final authorization for disbursements. Therefore, the Executive Director does not initiate or record purchases.

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 the Organization's documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

All unused checks are maintained in a locked location. Individuals involved with check preparation and bank reconciliations do not have signatory authority. Only those individuals involved in check preparation have access to the unused checks. The ARC of St. Charles, Inc. has a policy of not printing any checks on blank check stock.

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.

The Executive Director of The ARC of St. Charles, Inc. has a signature stamp that is used for signing checks and approving documents. We inquired whether the stamp was maintained under the Executive Director's control. We were told that the stamp was kept locked in the office safe and is accessible to two office staff, but is only used with the Executive Director's knowledge and consent. It is not used by anyone other than the Executive Director who initials each stamp to show her approval for its use. A recommendation was made that the signature stamp be locked in the Executive Director's office in a personal lock box that is under her control. We inquired whether signed checks were maintained under the control of the signer. We were told that The ARC of St. Charles, Inc. has a policy of not allowing any pre-signed checks.

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, 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.

We obtained a listing of all active credit cards, bank debit cards, fuel cards, and P-cards including card numbers and the names of the persons who maintained possession of the cards from the management of The ARC of St. Charles, Inc. Management stated that this listing is complete in their management representation letter dated December 20, 2017.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the Organization has less than 10 cards) that were used during the fiscal period, rotating cards each year.

We selected all of the credit cards that were used during the fiscal year ended June 30, 2017.

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:

We selected the monthly statement with the largest dollar activity for each card.

- 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.

Most of the monthly statements that we examined were approved by the Executive Director. It was our recommendation that all statements should be approved in the future.

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

Out of all of the statements examined, we discovered a Visa statement which included a finance charge of \$88.25 and a Sam's Club statement that included a finance charge of \$2.92. It was our recommendation that all invoices should be paid timely in order to avoid finance charges in the future.

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).

We obtained supporting documentation for the transactions on each of the cards selected.

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).

All of the transactions were supported by documentation that identifies precisely what was purchased.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

The documentation of the business/public purpose was evident for all of the transactions which we examined.

- Other documentation that may be required by written policy (e. g., purchase order, written authorization).

All documentation which was required by the written policy of The ARC of St. Charles, Inc. was present in the transactions we selected.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Organization'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.

We reviewed the detail of each transaction and compared it to the purchasing/disbursement policies of The ARC of St. Charles, Inc. and found no exceptions. The Arc of St. Charles, Inc. is not subject to the requirements of the Louisiana Public Bid Law.

- c) For each transaction, compare the Organization'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.

We reviewed the Organization's documentation regarding the business/public purpose to the requirements above and found no exceptions.

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.

We obtained a listing of all travel and related expense reimbursements by person from the management of The ARC of St. Charles, Inc. Management stated that this listing is complete in their management representation letter dated December 20, 2017.

18. Obtain the Organization'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) and report any amounts that exceed GSA rates.

We obtained the Organization's policies and procedures manual and employee handbook which contain the Organization's policies regarding travel and expense reimbursements. The Organization's policies do not exceed GSA rates.

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:

We obtained the expense reimbursement reports for each of the persons selected including the supporting documentation and chose the largest travel expense for each person to examine.

- 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 Organization does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We compared the expense documentation to the Organization's written policies and found that all expenses were reimbursed in accordance with these policies. None of the expense reimbursements exceeded 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].

All expenses were supported by itemized receipts except those expenses reimbursed based on an established per diem amount.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

The documentation of the business/public purpose was evident for all of the transactions which we examined.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

All documentation which was required by the written policy of The ARC of St. Charles, Inc. was present in the transactions we selected.

- c) Compare the Organization'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.

We reviewed the Organization's documentation regarding the business/public purpose to the requirements above and found no exceptions.

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

All documentation is reviewed and approved by the Executive Director.

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.

We obtained a listing of all contracts in effect during the fiscal year ended June 30, 2017 from the management of The ARC of St. Charles, Inc. Management stated that this listing is complete in their management representation letter dated December 20, 2017.

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

We selected the five contract vendors that were paid the most money during the fiscal year ended June 30, 2017 and obtained the related contracts and paid invoices.

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

Formal contracts existed for all five vendors selected which supported the services arrangements and amounts paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Organization 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 Organization solicited quotes as a best practice.

The Arc of St. Charles, Inc. is not subject to the requirements of the Louisiana Public Bid Law. However, as a best practice, the Organization's policies require board approval and recommendation, and three bids to be obtained on all contracts of \$10,000 and over.

- 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.

At no time were any contracts under examination amended.

- 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.

We selected the largest payment from each of the five contracts, obtained the supporting invoice, and compared the invoice to the contract terms. We found that it complied with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

As stated above, board approval is required on purchases of \$10,000 and over. We examined contract documentation and found no exceptions.

Payroll and Personnel

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

We obtained a listing of all employees and their related salaries from the management of The ARC of St. Charles, Inc. Management stated that this listing is complete in their management representation letter dated December 20, 2017. We selected five employees and obtained their personnel files.

- 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.

We examined the compensation paid to each employee and found that payments were made in accordance with the employee's pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

We examined all changes to employees compensation and found that all changes were approved in writing and in accordance with written policy.

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 (or randomly select one-third of employees if the entity had less than 25 employees during the fiscal period), and:

We obtained the attendance and leave records, selected one pay period in which leave had been taken, and randomly selected 25 employees.

- a) Report whether all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

The selected employees documented their daily attendance and leave as required by the policy of The ARC of St. Charles, Inc.

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

We examined the written documentation that the attendance and leave of the selected employees were approved by supervisors.

- 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 that earn leave.

We examined documentation that The ARC of St. Charles, Inc. maintained written leave records on those selected employees that earned leave.

24. Obtain from management a list of those employees 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. Report whether the termination payments were made in strict accordance with the policy and/or contract and approved by management.

We obtained from management a list of the employees that terminated during the fiscal year ended June 30, 2017. Management stated that this listing is complete in their management representation letter dated December 20, 2017. We obtained the personnel files for all four program coordinators and tested the termination payments of the program coordinators who were terminated with accrued vacation. The termination payments were made in strict accordance with the policy and/or contract and approved by management. All other terminated employees did not receive termination payments because they were not full-time employees and were not entitled to termination benefits.

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.

We obtained the supporting documentation regarding payroll taxes and retirement contributions during the fiscal period ended June 30, 2017. Both the payroll taxes and the retirement contributions, as well as the employer's portions, were reported and submitted to the applicable agencies by the required deadlines.

Other

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

We inquired of management as to whether they had any misappropriations of public funds. No misappropriations of public funds were reported to us.

27. Observe and report whether the Organization 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) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The Organization has posted on its premises the notice required by R.S. 24:523.1 regarding misappropriation, fraud, waste, or abuse of public funds. The Organization's website contains a link which takes the user to the Louisiana Legislative Auditor's notice required by R. S. 24:523.1.

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

We have not observed or identified any exceptions regarding management's representations in any of the procedures above.

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

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



Uzee, Butler, Arceneux & Bowes
Certified Public Accountants
Harvey, Louisiana

December 20, 2017

The Arc of St. Charles, Inc.

P.O. Box 455 Boutte, Louisiana 70039
Phone: (985) 785-0971 Fax: (985) 785-0034
E-Mail: thearcsc@bellsouth.net

December 20, 2017

Independent Accountant's Report on Applying Agreed-Upon Procedures Management Response

Year Ended June 30, 2017

1) BOARD (OR FINANCE COMMITTEE, IF APPLICABLE)
Procedure #2b

2b) 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).

FINDING

The ARC of St. Charles, Inc.'s financial statements only contain a general fund. The budget-to-actual comparisons for The ARC of St. Charles, Inc. were referenced in the minutes for the meetings of November 2016, January 2017, and June 2017. A recommendation was made that all board meeting minutes should reference the budget-to-actual comparisons for that month.

MANAGEMENT'S RESPONSE

We will ensure that all board meeting minutes for all months reference budget-to-actual comparisons for that month.

2) COLLECTIONS
Procedure #6a

6a) **For each cash collection selected:**

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.

FINDING

A. *Collection location #1 (Cajun Village Thrift Store):*

The person in charge of collecting cash actually deposits the cash in the bank and fills out the deposit slip. She does not reconcile the related bank account or record the related transaction. It was also found that she shares the same cash register with other employees. A recommendation has been made to correct these items.

MANAGEMENT'S RESPONSE

We will ensure that the employees at the Cajun Village Thrift Store do not fill out the deposit slip or make the deposit at the bank for any cash collected at the store. We will also ensure that the employees at the Cajun Village Thrift Store do not share a cash register with other employees.

B. *Collection location #2 (Throw Me Something Mister Mardi Gras Bead Distribution Center):*

Our inspection found that the employee is not responsible for depositing the cash in the bank, does not record the related transaction, and does not reconcile the related bank account. We also found that the cash register at the site is broken and is not properly used. However, as there is only one person using the cash register, it is not being shared with another employee. A recommendation was made to replace the cash register with one that automatically issues a receipt similar to the cash register at the Cajun Village Thrift Store.

MANAGEMENT'S RESPONSE

We will ensure that the cash register at the Throw Me Something Mister Mardi Gras Bead Distribution Center will be replaced with a new cash register that issues a receipt (similar to the cash register at the Cajun Village Thrift Store).

3) DISBURSEMENTS

A. Procedure #9b:

9b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

FINDING

Our inspection found that approximately 50% of the purchases utilizing a purchase requisition did not contain a signature of a person who did not initiate the purchase. A recommendation was made that all purchases are to be approved by a person who did not initiate the purchase.

MANAGEMENT'S RESPONSE

We will ensure that all future purchase requisitions are approved by the Executive Director. We will also ensure that all purchases (other than recurring expenses such as utilities, etc.) will be initiated using a purchase requisition form.

B. Procedure #13:

- 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.

FINDING

The Executive Director of The ARC of St. Charles, Inc. has a signature stamp that is used for signing checks and approving documents. We inquired whether the stamp was maintained under the Executive Director's control. We were told that the stamp was kept locked in the office safe and is accessible to two office staff, but is only used with the Executive Director's knowledge and consent. It is not used by anyone other than the Executive Director who initials each stamp to show her approval for its use. A recommendation was made that the signature stamp be locked in the Executive Director's office in a personal lock box that is under her control.

MANAGEMENT'S RESPONSE

We will ensure that the Executive Director's signature stamp will be locked in her office in a personal lock box under her control.

4) CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS

A. Procedure #15a:

- 15a) 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.

FINDING

Most of the monthly statements that we examined were approved by the Executive Director. It was our recommendation that all statements should be approved in the future.

MANAGEMENT'S RESPONSE

We will ensure that all credit card statements and accounts payable invoices will be approved by the Executive Director.

B. Procedure #15b:

15b) Report whether finance charges and/or late fees were assessed on the selected statements.

FINDING

Out of all of the statements examined, we discovered a Visa statement which included a finance charge of \$88.25 and a Sam's Club statement that included a finance charge of \$2.92. It was our recommendation that all invoices should be paid timely in order to avoid finance charges in the future.

MANAGEMENT'S RESPONSE

We will initiate procedures to ensure that all future credit card statements are paid timely to avoid finance charges and late fees.

Respectfully submitted,


Victoria Bryant
Executive Director