

**Marketing Education Retail Alliance, Inc.**  
**Baton Rouge, Louisiana**  
**June 30, 2018**

## Table of Contents

Independent Auditor's Report	Page	3
Financial Statements		
Statements of Financial Position	Page	5
Statements of Activities	Page	6
Statements of Functional Expenses	Page	7
Statements of Cash Flows	Page	8
Notes to Financial Statements	Page	9
Supplementary Information		
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	Page	13
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 <i>Government Auditing Standards</i>	Page	14
Schedule of Findings and Responses	Page	16
Summary Schedule of Prior Audit Findings	Page	19



**HAWTHORN  
WAYMOUTH  
& CARROLL, L.L.P.**  
Certified Public Accountants

Louis C. McKnight, III, CPA  
Charles R. Pevey, Jr., CPA  
David J. Broussard, CPA  
Neal D. King, CPA  
Brittany B. Thames, CPA

## **Independent Auditor's Report**

Board of Directors  
Marketing Education Retail Alliance, Inc.  
Baton Rouge, Louisiana

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

We have audited the accompanying financial statements of Marketing Education Retail Alliance, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marketing Education Retail Alliance, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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 agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of Marketing Education Retail Alliance, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Marketing Education Retail Alliance, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marketing Education Retail Alliance, Inc.'s internal control over financial reporting and compliance.

*Hawthorn, Waymouth & Carroll, L.L.P.*

December 5, 2018

**Marketing Education Retail Alliance, Inc.**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

	<b>Assets</b>	
	<b>2018</b>	<b>2017</b>
	<u>          </u>	<u>          </u>
Cash and cash equivalents	\$ 272	\$ -
Due from related party	-	31,944
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 272</u>	<u>\$ 31,944</u>
	<u>          </u>	<u>          </u>
<b>Liabilities and Net Assets</b>		
Cash overdraft	\$ -	\$ 8,697
Accounts payable	272	23,247
	<u>          </u>	<u>          </u>
Total liabilities	272	31,944
<b>Unrestricted Net Assets</b>	<u>-</u>	<u>-</u>
	<u>          </u>	<u>          </u>
Total liabilities and net assets	<u>\$ 272</u>	<u>\$ 31,944</u>
	<u>          </u>	<u>          </u>

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

**Marketing Education Retail Alliance, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Revenue and Other Support</b>		
State grant	\$ 672,563	\$ 675,563
Total revenue and other support	672,563	675,563
<b>Expenses</b>		
Program services	644,274	647,274
Supporting services	28,289	28,289
Total expenses	672,563	675,563
<b>Change in Unrestricted Net Assets</b>	-	-
<b>Unrestricted Net Assets, beginning of year</b>	-	-
<b>Unrestricted Net Assets, end of year</b>	\$ -	\$ -

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

**Marketing Education Retail Alliance, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2018 and 2017**

	June 30, 2018			June 30, 2017		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
<b>Administrative Expenses</b>						
Contract services	\$135,304	\$ -	\$135,304	\$135,304	\$ -	\$135,304
Equipment rental	11,532	-	11,532	11,532	-	11,532
Rent	7,700	-	7,700	7,700	-	7,700
Telephone	6,354	-	6,354	6,354	-	6,354
Office supplies	6,001	-	6,001	6,001	-	6,001
Public relations	2,000	-	2,000	2,000	-	2,000
<b>Total administrative expenses</b>	<b>168,891</b>	<b>-</b>	<b>168,891</b>	<b>168,891</b>	<b>-</b>	<b>168,891</b>
<b>Operating Expenses</b>						
Accounting/bookkeeping	-	24,000	24,000	-	24,000	24,000
Professional services	-	4,289	4,289	-	4,289	4,289
Administrative support	19,000	-	19,000	19,000	-	19,000
<b>Total operating expenses</b>	<b>19,000</b>	<b>28,289</b>	<b>47,289</b>	<b>19,000</b>	<b>28,289</b>	<b>47,289</b>
<b>Travel</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>Marketing Education Grants</b>	<b>455,383</b>	<b>-</b>	<b>455,383</b>	<b>458,383</b>	<b>-</b>	<b>458,383</b>
<b>Total expenses</b>	<b>\$644,274</b>	<b>\$ 28,289</b>	<b>\$672,563</b>	<b>\$647,274</b>	<b>\$ 28,289</b>	<b>\$675,563</b>

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

**Marketing Education Retail Alliance, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities</b>		
Change in unrestricted net assets	\$ -	\$ -
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities		
Decrease in assets:		
Due from related party	31,944	91,834
Decrease in liabilities:		
Accounts payable	(22,975)	(100,531)
Net cash provided by (used in) operating activities	8,969	(8,697)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	8,969	(8,697)
<b>Cash and Cash Equivalents (Cash Overdraft), beginning of year</b>	(8,697)	8,697
<b>Cash and Cash Equivalents, end of year</b>	\$ 272	\$ -

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

**Marketing Education Retail Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1-Nature of Operations**

Marketing Education Retail Alliance, Inc. (MERA) is a not-for-profit organization formed on June 21, 2000 to increase marketing education in Louisiana by assisting in the expansion, training, and enhanced enrollment of members in Distributive Education Clubs of America by rewarding and motivating students. MERA's revenue is derived from a cooperative endeavor agreement with the Louisiana Department of Economic Development, a Louisiana Public Corporation, to channel funds directly to the classroom through a grant process, for worthy, creative, and innovative opportunities to assist students in achieving their full potential. MERA works with local and national merchants and businesses through the Louisiana Retailers Association (LRA) to ensure the best preparation of the leaders of our future.

**Note 2-Summary of Significant Accounting Policies**

A. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

MERA reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets include those net assets whose use by MERA is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by MERA has been limited by donors (a) to later periods of time or other specific dates or (b) for specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting MERA's use of the assets. At June 30, 2018 and 2017, MERA had no temporarily or permanently restricted net assets.

B. 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 reporting period. Actual results could differ from the estimates that were used.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, MERA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

D. Income Taxes

MERA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity other than a private foundation within the meaning of Section 509(a). Accordingly, no provision has been made for income taxes.

**Marketing Education Retail Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 2-Summary of Significant Accounting Policies (Continued)**

**D. Income Taxes (Continued)**

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If MERA were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors.

**Note 3-Related Party**

MERA is related to LRA through common governance. LRA provides administrative and operating support for program services to MERA. The total amount paid for these services was \$168,891 for the years ended June 30, 2018 and 2017.

MERA was owed \$31,944 from LRA as of June 30, 2017. There were no amounts due from the related party as of June 30, 2018.

**Note 4-Contingencies**

MERA participates in a state grant program, which is governed by various rules and regulations. Costs charged to the grant program are subject to audit and adjustment by the grantor agency; therefore, to the extent that MERA has not complied with the rules and regulations governing the grant, refunds of any money received and the collectability of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grant; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs disallowed would be recognized in the period agreed upon by the grantor agency and MERA.

**Note 5-Economic Dependency**

MERA receives all of its revenue from a grant administered by the State of Louisiana. The grant amount is appropriated each year by the state government. If significant budget cuts are made at the federal and/or state level, the amount of funds received by MERA could be reduced significantly by an amount that could adversely impact its operations. Management is not aware of any actions that will adversely affect the amount of grant and contracts the organization will receive in the next fiscal year.

**Note 6-Subsequent Events**

MERA evaluated all subsequent events through December 5, 2018, the date the financial statements were available to be issued. As a result, MERA noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

## **Supplementary Information**

**Marketing Education Retail Alliance, Inc.  
Schedule of Compensation, Benefits, and Other  
Payments to Agency Head or Chief Executive Officer  
Year Ended June 30, 2018**

**Agency Head Name: Dawn Johnson, Administrator**

<u>Purpose</u>	<u>Amount</u>
Salary	\$0
Benefits - insurance	0
Benefits - retirement	0
Benefits – cell phone	0
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0

No payments were made to the administrator from public funds.



**HAWTHORN  
WAYMOUTH  
& CARROLL, L.L.P.**  
Certified Public Accountants

Louis C. McKnight, III, CPA  
Charles R. Pevey, Jr., CPA  
David J. Broussard, CPA  
Neal D. King, CPA  
Brittany B. Thames, CPA

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on  
an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Board of Directors  
Marketing Education Retail Alliance, Inc.  
Baton Rouge, 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 Marketing Education Retail Alliance, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 5, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Marketing Education Retail Alliance, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marketing Education Retail Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Marketing Education Retail Alliance, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (2018-001).

8545 United Plaza Blvd., Suite 200, Baton Rouge, LA 70809 • Telephone: 225.923.3000 • Fax: 225.923.3008

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Marketing Education Retail Alliance, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-001.

### **Marketing Education Retail Alliance, Inc.'s Response to Findings**

Marketing Education Retail Alliance, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Marketing Education Retail Alliance, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.

*Hawthorn, Waymouth & Carroll, L.L.P.*

December 5, 2018

**Marketing Education Retail Alliance, Inc.**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2018**

**Part I - Summary of Audit Results**

- 1) An unmodified opinion has been expressed on the financial statements of Marketing Education Retail Alliance, Inc. as of and for the year ended June 30, 2018, and the related notes to the financial statements.
- 2) One deficiency in internal control over financial reporting that we consider to be a significant deficiency was identified.
- 3) One instance of noncompliance or other matters that is required to be reported under Government Auditing Standards was identified.
- 4) A single audit in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards was not required.
- 5) A management letter was not issued.

**Part II - Financial Statement Findings**

*2018-001: Improper Related Party Transactions*

**Condition:**

MERA advanced money to a related party in July and August of 2017.

**Criteria:**

In accordance with its grant agreement, MERA is not allowed to advance funds without approval from LED.

**Cause:**

MERA used grant funds to make cash advances to a related party.

**Effect:**

The transactions were not in accordance with the grant agreement.

**Auditor's Recommendation:**

MERA should not advance grant funds and should only make payments in accordance with the grant agreement.

**Management's Response:**

As evidenced from the current year audit, all advancements to the Louisiana Retailers Association (LRA) have been paid in full and MERA has not made any improper related party transactions since August 2017 and will continue to comply with the grant agreement.

**Marketing Education Retail Alliance, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2018**

**Part I – Financial Statement Findings**

*2017-001 – Filing of Report with Louisiana Legislative Auditor*

**Summary of Prior Year Finding:**

Financial statements were not timely filed with the Louisiana Legislative Auditor.

**Status:**

Finding was cleared in the current year.

*2017-002 – Material Noncompliance with Grant Agreement*

**Summary of Prior Year Finding:**

Cost reports submitted to Louisiana Department of Economic Development (LED) for reimbursement included expenses that had not been paid.

**Status:**

Finding was cleared in current year.

*2017-003 – Improper Related Party Transactions*

**Summary of Prior Year Finding:**

MERA used grant funds to make cash advances to a related party.

**Status:**

Finding repeats as current year finding 2018-001.

**Part II – Management Letter**

A management letter was not issued for the year ended June 30, 2017.

**Marketing Education Retail Alliance, Inc.  
Agreed-Upon Procedures Report  
June 30, 2018**



**Independent Accountant's Report  
on Applying Agreed-upon Procedures**

To the Board of Directors  
Marketing Education Retail Alliance, Inc.  
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by Marketing Education Retail Alliance, Inc. (Entity) 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, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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 any other purpose.

The procedures performed and the associated findings (presented in italics) are listed below as follows:

***Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

*No exceptions noted.*

b. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*The entity does not have any written policies and procedures on purchasing.*

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

*No exceptions noted.*

- d. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*The entity does not have procedures covering the preparation of deposits.*

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

*The entity has no payroll; therefore, there are no procedures covering payroll and personnel.*

- 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.

*The entity does not have procedures covering the types of services requiring written contracts, standard terms and conditions, legal review, approval process, or monitoring process for contracts.*

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

*The entity has no credit, debit, fuel, or P cards; therefore, there are no procedures covering these items.*

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

*No exceptions noted.*

### ***Bank Reconciliations***

---

- 1. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

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

*No exceptions noted.*

- b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*There was no evidence of review.*

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

*Procedure is not applicable.*

## *Collections*

---

1. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
2. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a. Employees that are responsible for cash collections do not share cash drawers/registers.
  - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*No exceptions noted.*

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

*Employees are not covered by a bond or insurance policy for theft.*

4. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #1 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a. Observe that receipts are sequentially pre-numbered.

*Deposits consist of ACH reimbursed grant funds in accordance with Cooperative Endeavor Agreement with the state. Due to the nature of these deposits, sequential pre-numbered receipts are not deemed necessary.*

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

*ACH deposits were traced to cost reports submitted to the state for reimbursements with no exceptions noted.*

- c. Trace the remittance advice total to the actual deposit per the bank statement.

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

### ***Non-Payroll Disbursements***

---

- 1. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 2. For each location selected under #1 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

*No exceptions noted.*

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

*No exceptions noted.*

- c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*The person responsible for processing payments is not prohibited from adding and modifying vendor files.*

- d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*No exceptions noted.*

- 3. For each location selected under #1 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

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

*No exceptions noted.*

- b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #2, as applicable.

*Documentation for disbursements did not include evidence of segregation of duties.*

### **Travel and Travel-Related Expense Reimbursements (Excluding Card Transactions)**

---

1. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*Procedure is not applicable.*

- b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*No exceptions noted.*

- c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h under "Written Policies and Procedures" above).

*No exceptions noted.*

- d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*There was no evidence of review and approval.*

### **Contracts**

---

1. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*Procedure is not applicable.*

- b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*No exceptions noted.*

- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*Procedure is not applicable.*

- d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*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.

*Hawthorn, Waymouth & Carroll, L.L.P.*

December 5, 2018



P.O. Box 78039 \* Baton Rouge, LA \* 70837 \* (225) 344-9481

---

### **Response to Independent Accountant's Report on Applying Agreed-upon Procedures**

Management has reviewed the independent accountant's report and will make every effort to implement procedures to address the deficient agreed upon procedures going forward. Management is currently complying with many of the procedures, but documentation of the compliance has not been fulfilled in all circumstances. Please see specific responses to individual report items below.

#### Written Policies and Procedures

1. (d) Most deposits consist of ACH reimbursed grant funds in accordance with a CEA with the state. There are a minimum number of deposits annually that consist of refunds from grant recipients. The MERA administrative employee requests the refund check from the grant recipient. The refund check is received via U.S. mail. The deposit is prepared by the administrative employee, approved by management and reported to the accountant. The accountant notes the deposit in order to reconcile on the bank statement at the end of the month.

1. (f) Management requires employment contracts with independent accountant and educational consultant and an administrative services contract. Contracts are prepared by legal staff and presented to Board of Directors for approval. Management monitors deliverables required of educational consultant.

#### Bank Reconciliations

1. (b) Management reviews monthly bank reconciliation that is prepared by accountant and will begin initialing the reconciliation upon review.

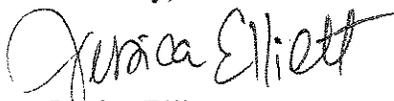
#### Non-Payroll Disbursements

3. (b) Although the segregation of duties is appropriate and each disbursement is reviewed and matched to the appropriate invoice, management was not documenting this process. Moving forward, all invoices will be initialed when the disbursements are reviewed.

Travel and Travel-Related Expense Reimbursements

1. (d) The educational consultant is the only person that receives travel reimbursements. The educational consultant submits a signed reimbursement form, which is then signed by management and sent to the state for reimbursement.

Sincerely,

A handwritten signature in black ink that reads "Jessica Elliott". The signature is written in a cursive, flowing style.

Jessica Elliott

Marketing Education Retail Alliance