

EAST BATON ROUGE TRUANCY ASSESSMENT, INC.

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2018

EAST BATON ROUGE TRUANCY ASSESSMENT, INC.
Baton Rouge, Louisiana

TABLE OF CONTENTS

June 30, 2018

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
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>	11
Schedule of Findings and Questioned Costs	13
Schedule of Prior Year Findings and Recommendations	15
Statement of Functional Expenses	20
Schedule of Compensation, Benefits and Other Payments to the Executive Director	21
Independent Accountant's Report on Applying Agreed Upon Procedures	22

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

I have audited the accompanying financial statements of East Baton Rouge Truancy Assessment, Inc., a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Baton Rouge Truancy Assessment, Inc. as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to the agency head or chief executive officer on page 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and derives 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

The financial statements of East Baton Rouge Truancy Assessment, Inc. as of and for the year ended June 30, 2017 were audited by a predecessor auditor. The predecessor auditor's report was dated December 14, 2017, expressed an unmodified opinion, and contained an other matters paragraph using identical language compared to the paragraph immediately above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 31, 2018, on my consideration of East Baton Rouge Truancy Assessment, Inc.' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 East Baton Rouge Truancy Assessment, Inc.' internal control over financial reporting and compliance.



John L. McKowen, CPA
Baton Rouge, Louisiana
December 31, 2018

East Baton Rouge Truancy Assessment, Inc.
 Baton Rouge, Louisiana
Statement of Financial Position
 June 30, 2018
 (with comparative amounts for 2017)

ASSETS

CURRENT ASSETS	2018	2017
Cash and cash equivalents	\$ 157,390	\$ 241,087
Accounts receivable	88,882	112,757
Prepaid expenses	-	7,541
Total current assets	246,272	361,385
PROPERTY AND EQUIPMENT, net	489,903	497,848
Total assets	\$ 736,175	\$ 859,233

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ 1,193	\$ 1,192
Accounts payable	-	125,537
Accrued liabilities	225,762	38,442
Total current liabilities	226,955	165,171
NET ASSETS		
Unrestricted	509,220	694,062
Total liabilities and net assets	\$ 736,175	\$ 859,233

East Baton Rouge Truancy Assessment, Inc.
 Baton Rouge, Louisiana
Statement of Activities
 Year ended June 30, 2018
 (with comparative amounts for 2017)

REVENUE AND OTHER SUPPORT	<u>2018</u>	<u>2017</u>
Grants and contributions	\$ 864,379	\$ 824,921
In-kind contributions	584,780	584,735
Rent and utilities	79,264	93,342
Miscellaneous	813	3,778
Interest	23	39
	<hr/>	<hr/>
Total revenue and support	1,529,259	1,506,815
	<hr/>	<hr/>
EXPENSES		
Program		
Family and Youth Service Center	1,068,066	1,219,381
Truancy Assessment Service Center	303,215	320,287
	<hr/>	<hr/>
Total program	1,371,281	1,539,668
Management and general	342,820	314,910
	<hr/>	<hr/>
Total expenses	1,714,101	1,854,578
	<hr/>	<hr/>
Change in Unrestricted Net Assets	(184,842)	(347,763)
UNRESTRICTED NET ASSETS, Beginning of year	694,062	1,041,825
	<hr/>	<hr/>
UNRESTRICTED NET ASSETS, End of year	\$509,220	\$ 694,062
	<hr/>	<hr/>

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018
(with comparative amounts for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$(184,842)	\$(347,763)
Adjustments for non-cash items:		
Depreciation and amortization	64,225	64,791
Bad debts	-	50,978
(Increase) decrease in assets:		
Accounts and other receivables	23,875	51,160
Prepaid expenses	7,541	5,768
Increase (decrease) in liabilities:		
Accounts payable	(125,537)	(33,080)
Accrued liabilities	187,320	(16,494)
Net cash provided by (used in) operating activities	(27,418)	(218,640)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(56,280)	-
Net cash provided (used in) by investing activities	(56,280)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in line of credit	1	(2,703)
Net cash provided by (used in) financing activities	1	(2,703)
Net increase (decrease) in cash	(83,697)	(221,343)
CASH		
Beginning of year	241,087	462,430
End of year	\$ 157,390	\$ 241,087

East Baton Rouge Truancy Assessment, Inc. had interest expense of \$77 and \$37, respectively, and no income tax expense for the years ended June 30, 2018 and June 30, 2017.

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

East Baton Rouge Truancy Assessment, Inc. (the Organization) is a Louisiana non-profit organization incorporated February 21, 2001, operating in East Baton Rouge Parish, for the purpose of identifying children who have exhibited truant tendencies, assessing the causal problems for these tendencies, and providing services or referring the identified children and their families to necessary services to eliminate or alleviate the causal problems for the truant behavior.

The Organization operates the following programs: Truancy Assessment Service Center (TASC) and Family and Youth Service Center (FYSC).

TASC – Designed to provide early identification, rapid assessment, and intensive truancy reduction services to at-risk students in grades kindergarten through fifth grade. The TASC program targets children that are most in need of services as well as “high-risk” schools. TASC is funded by the Louisiana Commission on Law Enforcement.

FYSC – Designed to offer services for youth and families in a convenient and caring environment, FYSC is funded by the East Baton Rouge Parish School Board, Sheriff’s Office, District Attorney’s Office, Mayor - President’s Office and private grants.

Basis of presentation

East Baton Rouge Truancy Assessment, Inc. prepares its financial statements on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

East Baton Rouge Truancy Assessment, Inc. reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The statement of activities presents expenses of East Baton Rouge Truancy Assessment, Inc. functionally by program services, fundraising, and management and general.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with East Baton Rouge Truancy Assessment, Inc.'s financial statements for the year

ended June 30, 2017, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts, depreciation, prepaid assets, accrued liabilities and in-kind revenues.

Income tax status

East Baton Rouge Truancy Assessment, Inc. qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

East Baton Rouge Truancy Assessment, Inc. follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there is no impact to the financial statements as a result of ASC 740-10. East Baton Rouge Truancy Assessment, Inc.' open audit periods are 2015 through 2017.

Net assets

The Organization 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 the Organization 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 the Organization 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 permanently limiting the Organization's use of the assets. At June 30, 2018, the Organization had no temporarily or permanently restricted net assets.

Cash and cash equivalents

East Baton Rouge Truancy Assessment, Inc. considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents at June 30, 2018.

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts.

Management believes all accounts are collectible; therefore, an allowance has not been recorded at June 30, 2018. The Organization does not require collateral for its receivables, and uses the specific identification allowance method, charging off receivables on a case by case basis.

Property and equipment

Property is stated at cost, or fair market value if donated, and depreciated over the estimated useful lives using the straight-line method for values in excess of \$500. Maintenance and repairs expenditures are expensed as incurred.

Revenue recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants, which are considered exchange transactions, are recognized as revenue when allowable costs are incurred to provide the services specified under the terms of the grant agreements. Advances under the grants are recorded as unearned income until such time as they can be recognized as revenue.

NOTE 2 – ACCOUNTS RECEIVABLE

At June 30, 2018, accounts receivable were as follows:

	<u>Amount</u>
Louisiana Commission on Law Enforcement	\$74,715
TRUCE Baton Rouge	<u>14,167</u>
	<u>\$88,882</u>

NOTE 3 – PROPERTY AND EQUIPMENT

At June 30, 2018, property was as follows:

<u>Description</u>	<u>Amount</u>
Land	\$ 73,365
Leasehold improvements	521,693
Equipment	184,532
Parking lot	125,788
Software	43,716
	<hr/>
	949,094
Less accumulated depreciation	(459,191)
	<hr/>
	<u>\$489,903</u>

Depreciation expense for the year ended June 30, 2018 was \$64,225.

The organization purchased equipment during the year ended June 30, 2018 at a cost of \$12,116, and leasehold improvements at a cost of \$44,164.

NOTE 4 – LINE OF CREDIT

The Organization has a \$20,000 revolving line of credit with a bank, of which \$1,193 was drawn as of June 30, 2018, bearing interest at 7.25% per annum, unsecured.

NOTE 5 – IN-KIND CONTRIBUTIONS

The East Baton Rouge School System and the Sheriff’s Office each provide an employee on an in-kind basis. The estimated value of the in-kind contribution of the employees recognized in the statement of activities is \$105,187 for the year ended June 30, 2018 with the in-kind expenses of the same amount included in salaries.

The Louisiana Department of Education provides office space on an in-kind basis. The estimated value of the in-kind contribution of the facilities’ rent recognized in the statement of activities is \$479,593 for the year ended June 30, 2018. The related in-kind expenses included in occupancy in-kind in the statement of activities is also \$479,593.

NOTE 6 – OPERATING LEASES

The Organization leases a portion of the facilities that it receives in-kind from The Louisiana Department of Education to various other entities under separate, one year, noncancelable operating leases. As of June 30, 2018, all leases were on a month to month basis.

NOTE 7 – BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board, receiving no compensation or per diem.

NOTE 8 – CONCENTRATIONS

The Organization receives revenue through grants and contracts administered by the State of Louisiana. The grant contract amounts are appropriated each year by the state government. If significant budget cuts were to be made at the state level, the amount of funds received by the Organization 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 grants and contracts the Organization will receive in the next fiscal year.

NOTE 9 – SUBSEQUENT EVENTS

Management of East Baton Rouge Truancy Assessment, Inc. has evaluated subsequent events through December 31, 2018, the date that these financial statements were available to be issued and has determined that there are no significant subsequent events that require recognition or disclosure through that date.

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

Board of Directors
East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Baton Rouge Truancy Assessment, Inc., which comprise the statement of financial position as of June 30, 2018 and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 31, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered East Baton Rouge Truancy Assessment, Inc.' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Baton Rouge Truancy Assessment, Inc.' internal control. Accordingly, I do not express an opinion on the effectiveness of East Baton Rouge Truancy Assessment, Inc.' 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 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. I consider the deficiencies described in the accompanying schedule to be material weaknesses (2018-002.)

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is

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less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule to be significant deficiencies (2018-001.)

My 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 my audit I did not identify any deficiencies in internal control that I 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 East Baton Rouge Truancy Assessment, Inc.' financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



John L. McKowen, CPA

Baton Rouge, Louisiana
December 31, 2018

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2018

Significant Deficiencies

2018-001 Segregation of duties

Condition: Due to the relatively small size of the Organization, ideal segregation of duties cannot be achieved. This is a repeat finding from the prior year.

Criteria: The Organization should separate responsibilities for authorizing transactions, recording those transactions, and the custody of assets.

Cause: The size of the Organization does not permit proper segregation of duties.

Effect: The lack of segregation of duties increases the risk of fraud related to the misappropriation of assets, financial statement misstatements, or both.

Auditor's Recommendation:

While it may not be cost effective to justify implementing a full segregation of duties for an extensive system of internal control in all areas, I believe that it is important that management and those charged with governance are aware that some weaknesses exist and that they should continue to apply diligent oversight and monitoring of activities.

Management's Response:

The Organization has implemented all suggested safeguards. Debit card purchases are approved by the director and a board member. Bank reconciliations are performed by a bookkeeper on a monthly basis, and the reports are provided to board members at each monthly board meeting. Checks in excess of \$500 require dual signatures. Management will continue to work more efficiently and diligently with the board in providing information and documents to assist in improving oversight and monitoring of all activities.

Material Weaknesses

2018-002 Recognition of Loan Payable

Condition: Upon review of the bridge loan payable account and inquiry of management, I noted that the payable account was not being reviewed and the appropriate transactions were not being posted to the general ledger.

Criteria: To ensure the bridge loan payable account is properly reflected on the financial statements, the general ledger should be reviewed to determine that transactions are being properly recorded.

Cause: Management is not reviewing the bridge loan payable general ledger account.

Effect: Material adjustments to the bridge loan payable account were required.

Auditor's Recommendation:

I recommend that the bridge loan payable account be reviewed and reconciled to ensure that transactions are being properly recorded in the general ledger.

Management's Response:

Management will review and reconcile any loan payable accounts to ensure that the transactions are properly recorded in the general ledger.

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the year ended June 30, 2018

Significant Deficiencies

2017-001 Segregation of duties

Condition: Due to the relatively small size of the Organization, ideal segregation of duties cannot be achieved. This is a repeat finding from the prior year.

Criteria: The Organization should separate responsibilities for authorizing transactions, recording those transactions, and the custody of assets.

Cause: The size of the Organization does not permit proper segregation of duties.

Effect: The lack of segregation of duties increases the risk of fraud related to the misappropriation of assets, financial statement misstatements, or both.

Auditor's Recommendation:

While the predecessor auditor recognized that it may not be cost effective to justify implementing a full segregation of duties for an extensive system of internal control in all areas, they believed that it was important that management and those charged with governance were aware that some weaknesses exist and that they should continue to apply diligent oversight and monitoring of activities.

Management's Corrective Action Plan:

The Organization has implemented all suggested safeguards. Debit card purchases are approved by the director and a board member. Bank reconciliations are performed by a bookkeeper on a monthly basis, and the reports are provided to board members at each monthly board meeting. Checks in excess of \$500 require dual signatures. Management will continue to work more efficiently and diligently with the board in providing information and documents to assist in improving oversight and monitoring of all activities.

Status: Finding repeats as 2018-001.

2017-002 Untimely Bank Reconciliations

Condition: The bank transactions for July, 2016 through March, 2017 were included in the April, 2017 bank reconciliation, which was performed in June, 2017 and the May, 2017 and June, 2017 bank statements were reconciled in November, 2017.

Criteria: Monthly bank reconciliations lead to more accurate records and quicker detection of errors in account balances, thus making them a vital part of the internal control process and essential to the Organization's financial system.

Cause: Management is not reviewing the bank reconciliations on a monthly basis.

Effect: Failure to conduct timely bank reconciliations can result in inaccurate general ledger cash balance amounts not being detected and can contribute to erroneous cash flow and budgetary information. Bank errors may also go undetected.

Auditor's Recommendation:

The predecessor auditor recommended that bank reconciliations be prepared on a monthly basis. Management will monitor, review, and approve the completed reconciliations monthly.

Management's Corrective Action Plan:

Bank reconciliations will be prepared on a monthly basis. Management will monitor, review, and approve the completed reconciliations monthly.

Status: Resolved. Bank reconciliations are now prepared on a monthly basis. Management monitors, reviews, and approves the completed reconciliations monthly.

2017-003 Duplicate Payment of Payroll

Condition: Upon review of accrued payroll, the predecessor auditor noted that there was an overlap of pay periods. Employees were paid for the period June 24 to July 7, 2017 and for the period of June 30 to July 15, 2017.

Criteria: Employees should not be paid for the same day twice.

Cause: Management switched the pay frequency from bi-weekly to bi-monthly at the end of the fiscal year for budgetary purposes. Upon doing so, they began the first pay period of fiscal year 2018 at June 30, which overlapped the previous pay period by one week.

Effect: Employees are being overpaid.

Auditor's Recommendation:

The predecessor auditor recommended that management review payroll to determine that all parameters are proper before disbursing funds.

Management's Corrective Action Plan:

Management will review payroll information prior to disbursement of funds to ensure that payroll is correct and proper.

Status: Resolved. Management of the Organization now reviews payroll information prior to disbursement of funds to ensure that payroll is correct and proper.

2017-2004 Duplicate Payment of Invoices

Condition: An invoice for professional fees was paid twice.

Criteria: Internal controls should be in place to ensure that invoices are only paid once.

Cause: Management is not checking the cash disbursements ledger to determine if invoices have already been paid.

Effect: Invoices are being overpaid.

Auditor's Recommendation:

The predecessor auditor recommended that management review the cash disbursements ledger and check the invoice number from the paper copy to the accounting system to determine if an invoice has already been paid before disbursing funds.

Management's Corrective Action Plan:

Management will review the cash disbursements ledger and check the invoice number from the paper copy of each invoice against the documentation within the accounting system prior to paying an invoice. All hard copies of invoices from each vendor will be filed in numerical order based on the invoice number. These will be reviewed monthly to ensure that any outstanding and/or missing invoices are addressed in a timely fashion to avoid receiving duplicate invoices.

Status: Resolved. Management of the Organization now reviews the cash disbursements ledger prior to payment.

2017-005 Inaccurate Accounting Records

Condition: The payee field for certain payroll transactions did not match the payee name posted to the general ledger.

Criteria: Accurate accounting records should be maintained.

Cause: Disbursements are not consistently monitored.

Effect: The entity's accounting records are inaccurate.

Auditor's Recommendation:

The predecessor auditor recommended that accounting records be reconciled to disbursements and supporting documentation to ensure that the general ledger is complete and accurate.

Management's Corrective Action Plan:

Management will reconcile all accounting actions on a monthly basis to ensure that the general ledger is complete and accurate and that all disbursements are reconciled and that supporting documentation for the disbursements are also complete and accurate.

Status: Resolved. Management of the Organization now reconciles all accounting actions on a monthly basis to ensure that the general ledger is complete and accurate and that all disbursements are reconciled and that supporting documentation for the disbursements are also complete and accurate.

Material Weaknesses

2017-006 Recognition of Accounts Receivable

Condition: The grants receivable account is not being reviewed, and the appropriate transactions are not being made to the general account balance.

Criteria: To ensure the grants receivable account is properly reflected on the financial statements, management should review the general ledger to determine if transactions are being properly posted to the account.

Cause: Management is not reviewing the grants receivable general ledger account.

Effect: Material adjustments to the grants receivable account were required.

Auditor's Recommendation:

The predecessor auditor recommended that management periodically review the grants receivable account to ensure that transactions are being properly classified to the general ledger account balance.

Management's Corrective Action Plan:

Management will review the grants receivable account on a monthly basis, along with other accounting oversight monitoring to ensure that all transactions are being properly classified.

Status: Resolved. Management of the Organization now reviews the grants receivable account on a monthly basis, along with other accounting oversight monitoring to ensure that all transactions are being properly classified.

2017-007 Recognition of Loan Payable

Condition: Upon review of the bridge loan payable account and inquiry of management, the predecessor auditor noted that the payable account was not being reviewed and the appropriate transactions were not being posted to the general ledger.

Criteria: To ensure the bridge loan payable account is properly reflected on the financial statements, the general ledger should be reviewed to determine that transactions are being properly recorded.

Cause: Management is not reviewing the bridge loan payable general ledger account.

Effect: Material adjustments to the bridge loan payable account were required.

Auditor's Recommendation:

The predecessor auditor recommended that the bridge loan payable account be reviewed and reconciled to ensure that transactions are being properly recorded in the general ledger.

Management's Corrective Action Plan:

Management will review and reconcile any loan payable accounts to ensure that the transactions are properly recorded in the general ledger.

Status: Finding repeats as 2018-001.

EAST BATON ROUGE TRUANCY ASSESSMENT, INC.
Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018
(with comparative amounts for 2017)

	2017				2016	
	FYSC	TASC	Total Program	Management and General	Total Expenses	Total Expenses
EXPENSES						
Accounting	16,320	8,040	24,360	6,090	30,450	37,876
Advertising	404	534	938	234	1,172	193
Bad debts	-	-	-	-	-	50,978
Computer	41,022	-	41,022	10,255	51,277	63,493
Contract labor	532	-	532	133	665	99,456
Depreciation	50,725	656	51,381	12,845	64,226	64,791
Equipment	-	2,675	2,675	669	3,344	3,051
Insurance	15,184	6,758	21,942	5,484	27,426	42,327
Interest	-	61	61	16	77	37
Meals and Entertainment	2,310	-	2,310	578	2,888	1,182
Miscellaneous	5,569	900	6,469	1,618	8,087	13,567
Occupancy, in-kind	364,666	19,008	383,674	95,919	479,593	479,548
Office	36,176	3,418	39,594	9,898	49,492	17,954
Payroll taxes	21,232	15,330	36,562	9,141	45,703	46,532
Repairs and maintenance	109,031	-	109,031	27,258	136,289	104,190
Salaries and wages	306,708	239,958	546,666	136,666	683,332	674,772
Supplies	8,294	378	8,672	2,168	10,840	4,231
Travel	3,407	5,499	8,906	2,226	11,132	10,234
Utilities	86,486	-	86,486	21,622	108,108	140,166
Total expenses	<u>1,068,066</u>	<u>303,215</u>	<u>1,371,281</u>	<u>342,820</u>	<u>1,714,101</u>	<u>1,854,578</u>

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

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

AGENCY HEAD NAME: Jennie Ponder, Executive Director

Salary	\$85,000
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John L. McKowen
Certified Public Accountant

2178 Myrtle Avenue
Baton Rouge, Louisiana 70806

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EAST BATON ROUGE TRUANCY ASSESSMENT, INC.
BATON ROUGE, LOUISIANA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES
YEAR ENDED JUNE 30, 2018

To the Board of Directors
East Baton Rouge Truancy Assessment, Inc.
and the Louisiana Legislative Auditor
Baton Rouge, Louisiana

I have performed the procedures enumerated below, which were agreed to by East Baton Rouge Truancy Assessment, Inc. (the Organization) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2017 through June 30, 2018. The Organization's management is responsible for those control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I 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.

I was 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 LLA's Statewide Agreed-Upon Procedures. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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 LLA's Statewide Agreed-Upon Procedures, and the results of that testing, and not to provide an opinion on control and 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.



John L. McKowen, CPA

Baton Rouge, Louisiana
December 31, 2018

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

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

The Organization has no written policies and procedures to address budgeting.

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 Organization has no written policies and procedures to address purchasing.

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

The Organization has no written policies and procedures to address disbursements.

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 Organization has no written policies and procedures to address receipts/collections.

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

The Organization's written policies and procedures adequately address payroll/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 Organization has no written policies and procedures to address contracting.

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 Organization has no written policies and procedures to address credit 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

The Organization has no written policies and procedures to address travel and expense reimbursement.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Not applicable.

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

Not applicable.

Management will prepare a set of policies and procedures for the approval of the Board of Directors.

Board or Finance Committee

There were no exceptions in the prior year; therefore, the Board or Finance Committee section was not tested in the current year.

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - a) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

3. 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 selected each 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);

Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing dates.

- 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

Reconciliations are reviewed by a member of management who does not handle cash, post ledgers, or issue checks.

- 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.

There were two reconciling items that were outstanding for more than 12 months. Management will investigate.

Collections

4. 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).

Management represents that there are two deposit sites.

5. 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.

Employees who 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.

Contract CPA's are responsible for reconciling collection documentation 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.

Outside CPA's are responsible for entries to the general ledger.

- 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.

Outside CPA's are responsible for entries to the general ledger.

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

Management represents that all employees are covered by insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 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.

There were no cash receipts.

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

Copies of the related collection documentation were traced to the deposit slips.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

The deposit slip totals were traced to the actual deposits per the bank statements.

- 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).

Deposits were made within one week of receipt.

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

Actual deposits per the bank statement were traced to the general ledger.

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

8. 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).

Management represents that there are two locations that process payments.

9. For each location selected under #8 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.

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

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

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

- a) 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.

Another employee is responsible for periodically reviewing changes to vendor files.

- a) 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.

In the case of TASC, the Board President cosigns the checks along with the Director, who also mails the checks.

For each location selected under #8 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.

Each disbursement matched the related original invoice/billing statement.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

In the case of TASC, the Board President cosigns the checks along with the Director, who also mails the checks.

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

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

Management represents that there is one debit card.

11. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

There is evidence that the monthly statement and documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

There were no late fees or finance charges assessed on the combined statement selected.

12. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were no exceptions observed to the above criteria.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

13. 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).

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.

Each reimbursement was supported by an original itemized receipt.

- 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).

Each reimbursement was supported by documentation of the business purpose of the purchase.

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

Each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

14. 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.

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).

Contracts were approved by the Board of Directors.

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

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.

Each invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

15. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Salaries paid agreed to those authorized in personnel files.

16. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All employees documented their daily attendance and leave records.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Supervisors approved the attendance and leave of the selected employees/officials.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

17. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Not applicable.

18. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management represents that the entity is in compliance with each of the above requirements.

Ethics

Not applicable.

19. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

Not applicable.

20. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
21. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Other

22. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the

misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management represents that there were no misappropriations during the fiscal period.

23. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The entity has the notice required by R.S. 24:523.1 posted on its premises, but not its website. Management will see that the website has the notice posted.