

**Greater St. Stephen Ministries Housing
and Development Corporation**

(A Non-Profit Organization)

For the Year Ended December 31, 2017

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J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Greater St. Stephen Ministries Housing and Development Corporation
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Greater St. Stephen Ministries Housing and Development Corporation (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

OFFICES:

2740 RUE DE JARDIN
STE.100
LAKE CHARLES
LOUISIANA 70605
(O) 337-478-7902
(F) 337-478-3345

5100 WESTHEIMER
SUITE 231
HOUSTON
TEXAS 77056
(O) 713-588-4460
(F) 713-966-6125

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater St. Stephen Ministries Housing and Development Corporation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2018 on our consideration of Greater St. Stephen Ministries Housing and Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Greater St. Stephen Ministries Housing and Development Corporation's internal control over financial reporting and compliance.

J. Walker & Company, APC

Lake Charles, Louisiana

August 20, 2018



GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT
Statement of Financial Position
As of December 31, 2017

Assets

Current Assets

Cash and Cash Equivalents	\$ 44,881
Accounts Receivable	<u>28,767</u>

Total Current Assets	<u>73,648</u>
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Property and Equipment

Property and Equipment, net	<u>4,961,240</u>
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Total Assets	<u>\$ 5,034,888</u>
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Liabilities And Net Assets

Current Liabilities

Payroll Liabilities	\$ 3,704
Line of Credit	<u>114,000</u>

Total Current Liabilities	<u>117,704</u>
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Total Liabilities	117,704
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Net Assets

Unrestricted	339,850
Temporarily Restricted	<u>4,577,334</u>

Total Net Assets	<u>4,917,184</u>
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Total Liabilities and Net Assets	<u>\$ 5,034,888</u>
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The accompanying notes are an integral part of the financial statements

GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT CORPORATION
Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues			
Rental Income	\$ 523,145	\$ -	\$ 523,145
Grants - Federal	<u>-</u>	<u>589,261</u>	<u>589,261</u>
Total Revenues	523,145	589,261	1,112,406
Net Assets Released from Restrictions	<u>560,494</u>	<u>(560,494)</u>	<u>-</u>
Expenses			
Accounting Services	11,858	-	11,858
Bank Service Fee	7	-	7
Cable	3,750	-	3,750
Contract Services	62,427	-	62,427
Insurance	94,556	-	94,556
Interest Expense	3,477	-	3,477
License and Permits	1,639	-	1,639
Maintenance and Repairs	134,262	-	134,262
NSF's and Related Fees	2,889	-	2,889
Office Supplies	650	-	650
Payroll Expenses	128,050	-	128,050
Renovation Expense	2,489	-	2,489
Security	9,520	-	9,520
Utilities	77,945	-	77,945
Miscellaneous Expense	18	-	18
Depreciation	145,127	-	145,127
Bad Debt	<u>42,066</u>	<u>-</u>	<u>42,066</u>
Total Expenses	<u>720,730</u>	<u>-</u>	<u>720,730</u>
Change in Net Assets	362,909	28,767	391,676
Net Assets, Beginning of Year	<u>(23,059)</u>	<u>4,548,567</u>	<u>4,525,508</u>
Net Assets, End of Year	<u>\$ 339,850</u>	<u>\$ 4,577,334</u>	<u>\$ 4,917,184</u>

The accompanying notes are an integral part of the financial statements

GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT CORPORATION
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 391,676
Adjustments to Reconcile Net Income (Loss)	
to net Cash Provided by Operating Activities:	
Depreciation and Amortization	145,127
Increase in Accounts Receivable	14,332
Decrease in Other Liabilities	(1,255)
Decrease in Accounts Payable	(3,533)
Total Adjustments	<u>154,671</u>
Net Cash Used in Operating Activities	<u>546,347</u>
Cash Flows From Financing Activities:	
Proceeds from Line of Credit	<u>107,161</u>
Net Cash Used in Financing Activities	<u>107,161</u>
Cash Flows From Investing Activities:	
Investment in Property, Plant, & Equipment	<u>(616,448)</u>
Net Cash Used in Investing Activities	<u>(616,448)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	37,060
Cash and Cash Equivalents at Beginning of Year	<u>7,821</u>
Cash and Cash Equivalents at End of Year	<u>\$ 44,881</u>

The accompanying notes are an integral part of the financial statements

Greater St. Stephen Ministries Housing and Development Corporation
Notes to the Financial Statements
December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Purpose

Greater St. Stephen Ministries Housing & Development Corporation (the “Organization”) is a single asset corporation that owns and operates a large multi-family housing development in New Orleans East, referred to as Greater St. Stephen City. The Organization was established in 1996 to provide low to moderate income families with attractive, well-maintained, safe, and affordable housing. The Church has significant influence over the corporation via common management and common board control. The Church also provides certain payroll management functions, as well as office space, utilities, and the use of all office furniture and equipment to the Organization.

Basis of Accounting

The Organization’s financial statements are prepared on the accrual basis of accounting, where by revenue is recorded when earned and expenses are recorded when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-For-Profit Organizations*. Under FASB ASC No. 958, the Organization is required to report 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

Unrestricted - Unrestricted net assets are resources available to support operations available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in it funding documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. As of December 31, 2017 the Organization had \$339,850 in unrestricted net assets.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2017, the Organization had \$4,577,334 in temporarily restricted net assets.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2017, the Organization did not have any permanently restricted net assets.

Greater St. Stephen Ministries Housing and Development Corporation
Notes to the Financial Statements
December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less.

Rental Income and Accounts Receivable:

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the properties are operating leases.

Rental charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages and cleaning fees, if applicable. Accounts receivable consist of amounts due for rental income, other tenant charges for damages and cleaning fees in excess of forfeited security deposits. The project does not accrue interest on the tenant receivable balances.

The Organization uses the direct write-off method to account for uncollectible accounts. Use of this method does not result in a material difference from the valuation method required by the accounting principles generally accepted in the United States of America. Management believes all receivables are to be collected; therefore no allowance for uncollectible accounts is recognized.

Property and Equipment

The property and equipment of the Organization are recorded as assets and are stated at historical cost when purchased. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. The Organization follows the practice of capitalizing all fixed assets purchases that exceed \$1,000, and depreciating the assets on the straight line basis. The useful lives of the Organization's assets are estimated as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	39 years
Equipment	10 years

Greater St. Stephen Ministries Housing and Development Corporation
Notes to the Financial Statements
December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Current Liabilities

Current liabilities for the Organization are comprised of obligations that, by their term, are due on demand or will be due on demand within one year from the statement of financial position date.

Compensated Absences

The Organization accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Financial Accounting Standards Board Accounting Standards Codification No. 710-10-50-1 (FASB ASC 710-10-50-1), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits. As of December 31, 2017, no estimates were made for compensated absences.

Income Taxes

The Organization has received its separate tax exempt status and has the filing requirements for the year ended December 31, 2017. It operates under Section 501(c)(3) of the Internal Revenue Code. The deadline to file the 2017 Form 990 for the tax year ended December 31, 2017 was May 15, 2018. The organization requested an automatic extension to file. The extension due date is November 15, 2018.

Note 2 – Grant Financing

The Organization received funding in the amount of \$589,261 from the U.S. Department of Housing and Urban Development. The funds were distributed through the Community Development Block Grant, which was provided to the Louisiana Recovery Authority (LRA) following the destruction of Hurricane Katrina. The program that this agency participated in is known as the Small Rental Property Program, which is focused on rebuilding the stock of one to four unit rental properties to address the housing needs of low to moderate income people in the most heavily damaged areas, speeding the recovery of entire neighborhoods and communities. As a result of receiving these funds, the Organization has made a commitment to make fifty percent (50%) of the renovated properties available to supportive housing occupants for a minimum of 20 years. The loan is considered to be guaranteed throughout the 20 year period contingent on the Organization's compliance with the regulatory requirements. The loan is also considered to be non-amortizing and non-interest bearing during its entire term unless a default occurs due to acts of non-compliance.

Note 3 – Line of Credit

The Organization has a \$250,000 uncollateralized business line of credit at Chase Bank with a 5.25% interest rate. The line of credit was renewed in November of 2015. As of December 31, 2017 the remaining balance was \$114,000.

Greater St. Stephen Ministries Housing and Development Corporation
Notes to the Financial Statements
December 31, 2017

Note 4 – Fair Value Financial Instruments

FASB Accounting Standards Codification Topic 820, “Fair Value Measurements” (Topic 820), Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

The Organization’s financial instruments (primarily cash) are carried in the accompanying balance sheet at amounts which reasonably approximate fair value. The estimated fair value amounts have been determined by the Organization on a recurring basis using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange. The recorded value of cash approximates its fair value based on its short-term nature. The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Note 5 – Property and Equipment

Fixed assets as of December 31, 2017 are summarized as follows:

Buildings and Building Improvements	\$ 5,743,351
Equipment	4,200
Less: Accumulated Depreciation	<u>(786,311)</u>
Total	<u>\$ 4,961,240</u>

Depreciation expense totaled \$145,127 for the year ended December 31, 2017.

Note 6 – Concentrations of Risk

The Organization relies on rental income from tenants to maintain operations. Rental income accounts for nearly 100% of the Organization’s revenues. While it is considered reasonably possible that tenants may be lost in the near term, no current causes for concern were noted.

As of December 31, 2017, funds on deposit with various financial institutional did not exceed the available Federal Deposit Insurance Coverage.

Note 7 – Contingencies

The Organization received Recovery Act funding through the Road Home’s Small Rental Property Program. This federally funded program stipulates that the Organization must comply with federal, state, and program requirements when selecting tenants to occupy affordable units throughout the affordability period of 20 years. Compliance requirements include providing affordable housing to income-eligible tenants, as well as complying with fair housing laws and non-discriminatory practices. Repayment of the Rental Program assistance, including any additional penalties, is contingent upon the Organization’s compliance with all federally imposed guidelines.

Greater St. Stephen Ministries Housing and Development Corporation
Notes to the Financial Statements
December 31, 2017

Note 8 – Board of Directors

The Board of Directors is a voluntary board; therefore no compensation was paid to any board member during the year ended December 31, 2017.

Note 9 – Related Party Transactions

Certain board members and employees of the Organization are also board members and employees of the Greater St. Stephen Ministries Full Gospel Baptist Church. The Church also provides certain payroll management functions, office space and furniture, utilities, and equipment to the Organization. The value of these services has not been determined by the Church.

Note 10 – Subsequent Events

The organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 20, 2018, the date that the financial statements were available to be issued.

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS



J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

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

To the Board of Directors of
Greater St. Stephen Ministries Housing and Development Corporation
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater St. Stephen Ministries Housing and Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Greater St. Stephen Ministries Housing and Development Corporation'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 the Greater St. Stephen Ministries Housing and Development Corporation. Accordingly, we do not express an opinion on the effectiveness of the Greater St. Stephen Ministries Housing and Development Corporation's internal control.

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

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

OFFICES:

2740 RUE DE JARDIN
STE.100

LAKE CHARLES
LOUISIANA 70605
(O) 337-478-7902
(F) 337-478-3345

5100 WESTHEIMER
SUITE 231
HOUSTON
TEXAS 77056

(O) 713-588-4460
(F) 713-966-6125

WWW.JWALKERCO.COM

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

J. Walker & Company, APC

Lake Charles, Louisiana

August 20, 2018



SCHEDULE OF FINDINGS AND RESPONSES

Greater St. Stephen Ministries Housing and Development Corporation
Schedule of Findings and Responses
For the Year Ended December 31, 2017

I. Summary of Auditors' Results

a. Financial Statements

1. The auditors' report expresses an unmodified opinion on the financial statements of Greater St. Stephen Ministries Housing and Development Corporation.
2. There were no control deficiencies disclosed during the audit of the financial statements and reported in the *Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of Greater St. Stephen Housing and Development Corporation were reported in the *Independent Auditors' 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*.

b. Federal Awards

1. N/A

c. Management Letter

No management letter was issued in connection with the audit for the year ended December 31, 2017.

II. Findings – Internal Controls and Compliance

No findings were noted during the current period.

III. Summary of Prior Audit Findings

No findings were noted from the prior year audit report.

Greater St. Stephen Ministries and Housing Development Corporation
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

This schedule is being provided as requested by the Louisiana Legislative Auditor.

I. Findings – Financial Statement Compilation

COMPLIANCE FINDINGS

2017-01 Failure to timely file audit report

Fiscal Year Finding Originated: 2017

Condition:

The Organization failed to submit report to LA Legislative Auditor in a timely manner.

Criteria:

La. R.S. 24.513 states that “all engagements must be completed and transmitted to the legislative auditor within six months of the close of the fiscal year.”

Cause:

The Organization was not in compliance with the State Law governing the completion and submission of reports.

Effect:

The Organization was not in compliance with the State Law governing the completion and submission of reports.

Recommendation:

The Organization should engage accountant in a timely manner to ensure adequate time for completion of report and the timely filing of report.

Response:

Organization will engage accountant in a timely manner to ensure timely filing of annual report.



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ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Greater St. Stephens Housing Development ("GSSHD") 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 year January 1, 2017 through December 31, 2017. 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 for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

We performed the above procedure and noted no exceptions

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.

We performed the above procedure and noted the following exception:

No written policies and procedures relating to purchasing.

Management's Response:

The entity is developing a full review and evaluation of its written policies and procedures relating to Purchasing.

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

We performed the above procedure and noted no exceptions

OFFICES:

2740 RUE DE JARDIN
STE.100
LAKE CHARLES
LOUISIANA 70605
(O) 337-478-7902
(F) 337-478-3345

5100 WESTHEIMER
SUITE 231
HOUSTON
TEXAS 77056
(O) 713-588-4460
(F) 713-966-6125

WWW.JWALKERCO.COM

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- d) **Receipts**, including receiving, recording, and preparing deposits
We performed the above procedure and noted no exceptions.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

**We performed the above procedure and noted the following exception:
No written policies and procedures relating to payroll/personnel.**

Management's Response:

The Organization is developing a full review and evaluation of its written policies and procedures relating to 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

We performed the above procedure and noted no exceptions.

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

We performed the above procedure and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

We performed the above procedure and noted the ethic requirements are not applicable to the entity.

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

**We performed the above procedure and noted the following exception:
No written policies and procedures relating to debt service.**

Management's Response:

The Organization is developing a full review and evaluation of its written policies and procedures relating to Debt Service.



Board (or Finance Committee, if applicable)

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

We performed the procedures above and noted no exceptions

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

We performed the procedures above and noted no exceptions.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

We performed the procedures above and noted no exceptions.

Bank Reconciliations

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

- a) Bank reconciliations have been prepared;

We performed the above procedure and noted no exceptions.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

**We performed the above procedure and noted the following exception:
No evidence a member of management or a board member has reviewed each bank reconciliation.**



Management's Response:

The entity is developing a full review and evaluation of its written policies and procedures relating to Bank Reconciliations.

If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

**We performed the procedures above and noted the following exception:
There is no documentation that management has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.**

Management's Response:

The Organization is developing a full review and evaluation of its written policies and procedures relating to Bank Reconciliations.

Collections

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

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

We performed the above procedure and noted no exceptions.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

We performed the procedures above and noted no exceptions.

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



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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

We performed the above procedure and noted no exceptions.

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

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

We performed the procedures above and noted no exceptions.

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

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

We performed the above procedures and noted no exceptions.



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

We performed the above procedure and noted no exceptions.

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

**We performed the above procedure and noted the following exception:
No written documentation relating to authorization of disbursements.**

Management's Response:

The Organization is developing a full review and evaluation of its written policies and procedures relating to Disbursements.

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

We performed the procedures above and noted no exceptions.

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

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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



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

We performed the above procedure and noted no exceptions.

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

**We performed the above procedure and noted the following exception:
Finance charges were assessed on the selected statements.**

Management's Response:

The Organization is developing a full review and evaluation of its written policies and procedures relating to Entity Credit/Debit Cards.

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

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

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

We performed the procedures above and noted no exceptions.

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

We performed the above procedure and noted the following exception:

On both credit card statements reviewed, there was no documentation of the business/public purpose.

Management's Response:

The Organization is developing a full review and evaluation of its written policies and procedures relating to entity Credit/Debit Cards.

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

We performed the procedures above and noted no exceptions.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We performed the procedures above and noted no exceptions.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana



Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

**We performed the above procedure and noted the following exception:
No documentation of the business/public purpose.**

Management's Response:

The Organization is developing a full review and evaluation of its written policies and procedures relating to entity Credit/Debit Cards.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

We performed the procedures above and noted no exceptions.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We performed the procedures above and noted no exceptions.

- b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.



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

We performed the procedures above and noted no exceptions.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

We performed the procedure above and noted no exceptions.

Management's Response:

The entity is developing a full review and evaluation of its written policies and procedures relating to entity contracts.

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

We performed the above procedure and noted no exceptions.

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

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.



N/A

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

For the vendors we reviewed with written contracts; no exceptions noted.

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

We performed the above procedure and noted no exceptions.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

We performed the above procedure and noted no exceptions.

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

We performed the above procedure and noted the no exceptions.

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

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

We performed the procedures above and noted no exceptions.

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



We performed the procedures above and noted no exceptions.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

Ethics

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

N/A

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

We performed the procedures above and noted no exceptions.

Debt Service

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

The Entity did not issue any new debt during the fiscal period therefore these procedures are not applicable.

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

N/A



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

N/A

Other

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

Inquired of management whether the Organization had any misappropriations of public funds or assets. Management indicated they were unaware of any misappropriations of public funds or assets.

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

We performed the procedures above and noted no exceptions.

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

Practitioner did not observe or otherwise identified any exceptions regarding management's representations in the procedures above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those 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.

J. Walker & Company, APC

Lake Charles, Louisiana
November 12, 2018

