



## **AMIkids Caddo, Inc.**

### **FINANCIAL STATEMENTS**

**June 30, 2023**

**(With comparative financial information for 2022)**





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# REPORT



## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
AMikids Caddo, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of AMikids Caddo, Inc. (School), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of AMikids Caddo, Inc. as of June 30, 2023, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AMikids Caddo, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, in 2023, the School adopted FASB Accounting Standards Codification (ASC) 842, *Leases*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AMikids Caddo, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AMIkids Caddo, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AMIkids Caddo, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, on our consideration of AMIkids Caddo, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AMIkids Caddo, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AMIkids Caddo, Inc.'s internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited AMIkids Caddo, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM

Tampa, Florida

November 13, 2023



# FINANCIAL STATEMENTS



**AMlkids Caddo, Inc.**  
**Statements of Financial Position**

| <i>June 30,</i>                        | <b>2023</b> | <b>2022</b> |
|--|-------------|-------------|
| <b>Assets</b>                          |             |             |
| Cash and cash equivalents              | \$ 363,052  | \$ 249,632  |
| Accounts receivable:                   |             |             |
| Funding agencies                       | 15,076      | 33,003      |
| Prepaid expenses and other assets      | 5,781       | 1,710       |
| Due from affiliates                    | 9,651       | 917         |
| Property and equipment, net            | 22,572      | 11,072      |
| Finance lease right-of-use assets, net | 6,455       | -           |
| Total assets                           | \$ 422,587  | \$ 296,334  |
| <b>Liabilities and Net Assets</b>      |             |             |
| Liabilities:                           |             |             |
| Accounts payable                       | \$ 1,889    | \$ 1,369    |
| Accrued expenses                       | 74,086      | 55,561      |
| Accrued pension                        | 2,969       | 1,625       |
| Due to affiliates                      | 69,005      | 39,394      |
| Obligations under capital lease        | -           | 11,741      |
| Finance lease liabilities              | 6,543       | -           |
| Related party notes payable            | 868,300     | 705,300     |
| Total liabilities                      | 1,022,792   | 814,990     |
| Net assets:                            |             |             |
| Without donor restrictions             | (607,797)   | (526,615)   |
| With donor restrictions                | 7,592       | 7,959       |
| Total net assets                       | (600,205)   | (518,656)   |
| Total liabilities and net assets       | \$ 422,587  | \$ 296,334  |

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

## AMIkids Caddo, Inc. Statements of Activities

| <i>For the year ended June 30,</i>    | Without Donor<br>Restrictions | With Donor<br>Restrictions | <b>2023<br/>Total</b> | 2022<br>Summarized<br>Total |
|---------------------------------------|-------------------------------|----------------------------|-----------------------|-----------------------------|
| <b>Public Support and Revenue:</b>    |                               |                            |                       |                             |
| Public support:                       |                               |                            |                       |                             |
| Federal                               | \$ 36,908                     | \$ -                       | \$ 36,908             | \$ 53,882                   |
| Regional                              | 1,995,353                     | -                          | 1,995,353             | 1,578,383                   |
| Contributions                         | 2,060                         | 25,198                     | 27,258                | 37,099                      |
| Total public support                  | 2,034,321                     | 25,198                     | 2,059,519             | 1,669,364                   |
| Revenue:                              |                               |                            |                       |                             |
| Other                                 | 224                           | -                          | 224                   | 121                         |
| Total revenue                         | 224                           | -                          | 224                   | 121                         |
| Net assets released from restrictions | 25,565                        | (25,565)                   | -                     | -                           |
| Total public support and revenue      | 2,060,110                     | (367)                      | 2,059,743             | 1,669,485                   |
| <b>Expenses:</b>                      |                               |                            |                       |                             |
| Program services                      | 1,953,421                     | -                          | 1,953,421             | 1,804,702                   |
| Management and general                | 187,871                       | -                          | 187,871               | 129,468                     |
| Total expenses                        | 2,141,292                     | -                          | 2,141,292             | 1,934,170                   |
| <b>Change in net assets</b>           | (81,182)                      | (367)                      | (81,549)              | (264,685)                   |
| Net assets, beginning of year         | (526,615)                     | 7,959                      | (518,656)             | (253,971)                   |
| Net assets, end of year               | \$ (607,797)                  | \$ 7,592                   | \$ (600,205)          | \$ (518,656)                |

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

**AMIkids Caddo, Inc.**  
**Statements of Functional Expenses**

| <i>For the years ended June 30,</i>    | Program<br>Services | Management<br>and<br>General | 2023<br>Total | 2022<br>Summarized<br>Total |
|--|---------------------|------------------------------|---------------|-----------------------------|
| Direct                                 | \$ 92,168           | \$ -                         | \$ 92,168     | \$ 79,397                   |
| Salary and Wages                       | 976,388             | -                            | 976,388       | 1,011,524                   |
| Payroll Benefits                       | 239,022             | -                            | 239,022       | 165,031                     |
| Payroll Taxes                          | 73,064              | -                            | 73,064        | 99,841                      |
| Professional Fees                      | 148,549             | 123,349                      | 271,898       | 207,348                     |
| Advertising and Promotion              | 125                 | -                            | 125           | -                           |
| Conferences, Conventions, and Meetings | 11,384              | -                            | 11,384        | 9,105                       |
| Depreciation                           | 3,567               | -                            | 3,567         | 8,705                       |
| Amortization                           | 8,500               | -                            | 8,500         | -                           |
| Facilities                             | -                   | 193                          | 193           | 7,154                       |
| Insurance                              | 96,464              | 8,226                        | 104,690       | 101,774                     |
| Interest and Bank Charges              | -                   | 40,066                       | 40,066        | 14,833                      |
| Internet and Cloud Services            | 18,168              | -                            | 18,168        | 13,908                      |
| Office Supplies                        | 21                  | 13,603                       | 13,624        | 11,307                      |
| Other Expenses                         | 7,061               | 2,427                        | 9,488         | 10,944                      |
| Repairs and Maintenance                | 149,204             | -                            | 149,204       | 91,643                      |
| Taxes                                  | 2,260               | 7                            | 2,267         | 6                           |
| Telecommunication                      | 3,286               | -                            | 3,286         | 2,535                       |
| Travel Expenses                        | 3,961               | -                            | 3,961         | 1,297                       |
| Utilities                              | 120,229             | -                            | 120,229       | 97,818                      |
|  | \$ 1,953,421        | \$ 187,871                   | \$ 2,141,292  | \$ 1,934,170                |

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



## AMlkids Caddo, Inc. Statements of Cash Flows

| <i>For the year ended June 30,</i>  | <b>2023</b> | <b>2022</b>  |
|---|-------------|--------------|
| <b>Cash flows from operating activities:</b>  |             |              |
| Change in net assets  | \$ (81,549) | \$ (264,685) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |             |              |
| Depreciation and amortization   | 12,067      | 8,705        |
| (Increase) decrease in:   |             |              |
| Accounts receivable   | 17,927      | (9,511)      |
| Prepaid expenses and other assets   | (4,071)     | 3,572        |
| Due from affiliates   | (8,734)     | (917)        |
| Increase (decrease) in:   |             |              |
| Accounts payable  | 520         | 1,369        |
| Accrued expenses  | 18,525      | 32,508       |
| Accrued pension   | 1,344       | 1,625        |
| Due to affiliates   | 29,611      | (2,857)      |
| Net cash and cash equivalents used in operating activities  | (14,360)    | (230,191)    |
| <b>Cash flows from investing activities:</b>  |             |              |
| Purchases of property and equipment   | (26,494)    | -            |
| Net cash and cash equivalents used in investing activities  | (26,494)    | -            |
| <b>Cash flows from financing activities:</b>  |             |              |
| Proceeds from new borrowings from affiliates  | 290,000     | 396,000      |
| Payments on related party notes payable   | (127,000)   | (20,000)     |
| Payments on finance lease liabilities   | (8,726)     | -            |
| Payments on capital lease obligations   | -           | (8,771)      |
| Net cash and cash equivalents provided by financing activities  | 154,274     | 367,229      |
| Net increase in cash and cash equivalents   | 113,420     | 137,038      |
| Cash and cash equivalents at beginning of year  | 249,632     | 112,594      |
| Cash and cash equivalents at end of year  | \$ 363,052  | \$ 249,632   |
| <b>Supplemental disclosure of noncash investing and financing activities:</b>                         |             |              |
| Cash paid for interest  | \$ 40,017   | \$ 14,672    |
| Lease liabilities arising from obtaining right-of-use assets  |             |              |
| Finance lease   | \$ 10,125   | \$ -         |

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

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

***Organization***

AMIkids Caddo, Inc. (the School), a Louisiana not-for-profit corporation, was formed exclusively for educational purposes. The School has entered into a Type 1 charter school contract with Caddo Parish School Board (CPSB) to operate the School in Caddo Parish, Louisiana. The School serves sixth to eighth graders and expelled students from Caddo Parish Public Schools and provides education, treatment, and behavior modification as components of the AMIkids Personal Growth Model®. These services are performed by the School, which is one of over forty affiliated, but independently governed member schools located in Alabama, Florida, Georgia, Louisiana, New Mexico, North Carolina, South Carolina, Texas and Virginia. The School's educational component is accredited by Cognia, a global accrediting agency dedicated to advancing excellence in schools, universities, and educational agencies. AMIkids, Inc. (AMIkids) is located in Florida and executes the contracts, collects funds, coordinates the operations and manages the record keeping of these member Schools and schools through a subcontract agreement between AMIkids and the School. The School's operating funds were primarily generated from state contracts and federal and local funds. Continued operation of the School's foster care program is dependent on continued funding from local agencies as well as financial and other support from AMIkids.

The School is an independent non-profit entity, separate and distinct from the Caddo Parish School Board, the primary government and reporting entity. However, the School is a component unit of CPSB and the School's financial statements are included in the CPSB's basic financial statements as a component unit.

***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material.

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting (Continued)***

*Net Assets Without Donor Restriction:* Include net assets that are not subject to donor-imposed stipulations and net assets that have been designated for a specific purpose by the Board of Directors.

*Net Assets With Donor Restrictions:* Include gifts for which donor-imposed restrictions due to time or purpose have not yet been met and gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions, as applicable.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

***Accounts Receivable***

Accounts receivable consists primarily of receivables from federal agencies and county school boards. The School reviews outstanding receivables for collectability based on historical payment history from the payer and any known circumstances casting doubt over the collectability of accounts and reserves for amounts considered to be uncollectible. The School considers its accounts receivable to be fully collectible and therefore, has not recorded an allowance for doubtful accounts. Amounts becoming uncollectible will be charged against the allowance for doubtful accounts when that determination is made.

***Property and Equipment***

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost, if purchased or at estimated fair value at date of receipt if donated. Property and equipment transferred to the School by a funding agency are stated at estimated fair value at date of transfer. Property transferred or acquired with grant funds may revert to the funding agency should the School no longer provide the rehabilitation services required by the contract. At the time property is retired, or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in earnings. Repairs and maintenance are expensed when incurred. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

|                                   |           |
|-----------------------------------|-----------|
| Furniture, fixtures and equipment | 3-5 years |
| Motor vehicles                    | 3-5 years |



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Impairment of Long-Lived Assets***

The School reviews all long-lived assets, which consist primarily of property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the discounted cash flows.

***Leases***

The School leases equipment. The School determines if an arrangement is a lease at inception. Finance leases are included in finance lease right-of-use (ROU) assets and finance lease liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. As most of the leases do not provide an implicit rate, the School uses its incremental borrowing rate or a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In determining the discount rate used to measure the right-of-use asset and lease liability, the School uses rates implicit in the lease, or if not readily available, the School uses the incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the School's assets. Determining a credit spread as secured by the School's assets may require significant judgment.

***Public Support and Revenue***

Public support is primarily from AMIkids's contracts with various state agencies. Contracts with state agencies generally provide funding based on client service days. Other public support represents amounts received from federal and local sources.

A significant portion of the School's grants and contracts are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Public support contracts are analyzed for measurable performance-related barriers or other measurable barriers, primarily client service days or expenditure of resources on allowable costs. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as deferred revenue.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions are initially recorded as increases in net assets without donor restrictions.

***Donated Services***

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by the individuals possessing those skills and would be typically purchased if not provided by donation. For the year ended June 30, 2023 and 2022, donated services were not material to the financial statements.

***Functional Allocation of Expenses***

The costs of providing the various services have been summarized on a functional basis between program services and supporting services. Certain costs have been allocated among program services and supporting services. Salaries are allocated based on the time and effort expended between program and supporting services. Rent and utilities and equipment and maintenance costs are allocated based on the ratio allocation of salaries between program and management and general.

***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, the School is exempt from taxes on income other than unrelated business income.

The School utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2023 and 2022, the School has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 13, 2023, and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

***Reclassifications***

Certain items on the statements of functional expense related to internet and cloud services have been reclassified in the 2022 financial statements to agree to the current presentation. There was no impact to the change in net assets.

***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The School elected the available practical expedients to account for existing capital leases as finance leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the School recognized on July 1, 2022 a lease liability at the carrying amount of the capital lease obligations on June 30, 2022, of \$11,741 and a right-of-use asset at the carrying amount of the capital lease asset of \$11,072. The standard had a material impact on the School's statement of net position, but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities, while the accounting for finance leases remained substantially unchanged.



**NOTE 2: COMPARATIVE FINANCIAL INFORMATION**

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

**NOTE 3: PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2023 and 2022 consists of:

|                                    | 2023      | 2022      |
|------------------------------------|-----------|-----------|
| Furniture, fixtures, and equipment | \$ 18,000 | 12,035    |
| Motor vehicles                     | 36,744    | 33,215    |
|                                    | 54,744    | 45,250    |
| Less accumulated depreciation      | (32,172)  | (34,178)  |
|                                    | \$ 22,572 | \$ 11,072 |

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 amounted to \$12,067 and \$8,705, respectively.

**NOTE 4: LEASES**

2023 Lease Disclosures:

The School has finance leases for equipment. The leases have remaining lease terms of 4 years, some of which may include options to extend the leases for up to 5 years, and some of which may include options to terminate the leases within 2 years. As of June 30, 2023, assets recorded under finance leases were \$20,529 and accumulated depreciation associated with finance leases was \$14,074.

The components of lease expense consist of the following:

| <i>For the years ended June 30,</i> | 2023     |
|-------------------------------------|----------|
| Finance lease cost                  |          |
| Amortization of right-of-use assets | \$ 8,500 |
| Interest on lease liabilities       | 541      |
| Total finance lease cost            | \$ 9,041 |

**NOTE 4: LEASES (Continued)**

Weighted average remaining lease term and discount rates consist of the following:

| <i>For the years ended June 30,</i>   | <b>2023</b>    |
|---------------------------------------|----------------|
| Weighted average remaining lease term |                |
| Finance leases                        | <b>4 years</b> |
| Weighted average discount rate        |                |
| Finance leases                        | <b>2.75%</b>   |

The maturities of lease liabilities subsequent to June 30, 2023 consist of the following:

| <i>For the years ended June 30,</i> |          |
|-------------------------------------|----------|
| 2024                                | \$ 2,060 |
| 2025                                | 2,118    |
| 2026                                | 2,176    |
| 2027                                | 369      |
| Total future minimum lease payments | 6,723    |
| Less imputed interest               | (1,052)  |
| Present value of lease liabilities  | \$ 6,543 |

2022 Lease Disclosures:

The School leases office equipment under capital lease. The economic substance of the lease is that the School is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the School's assets and liabilities.

The following is an analysis of the leased assets included in property and equipment:

|  | 2022      |
|--|-----------|
| Furniture, fixtures, and equipment       | \$ 12,035 |
| Motor vehicles                           | 33,215    |
|  | 45,250    |
| Less: Accumulated Depreciation           | (34,178)  |
| Total included in property and equipment | \$ 11,072 |

**AMIkids Caddo, Inc.**  
**Notes to Financial Statements**

**NOTE 4: LEASES (Continued)**

Future minimum lease payments subsequent to June 30, 2022 are as follows:

| <i>Year Ending June 30,</i>             |    |         |
|---|----|---------|
| 2023                                    | \$ | 10,476  |
| 2024                                    |    | 3,492   |
| Total minimum lease payments            |    | 13,968  |
| Less amounts representing interest      |    | (2,227) |
| Present value of minimum lease payments | \$ | 11,741  |

**NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

|                       | 2023            | 2022            |
|-----------------------|-----------------|-----------------|
| Education/scholarship | \$ 6,500        | \$ 6,600        |
| Other                 | 1,092           | 1,359           |
|                       | <b>\$ 7,592</b> | <b>\$ 7,959</b> |

Net assets were released from donor restrictions by occurrence of events specified by donors as follows for the years ended June 30, 2023 and 2022:

|                       | 2023             | 2022             |
|-----------------------|------------------|------------------|
| Education/scholarship | \$ 25,198        | \$ 26,193        |
| Other                 | 367              | -                |
|                       | <b>\$ 25,565</b> | <b>\$ 26,193</b> |

**NOTE 6: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The School's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

| <i>As of June 30,</i>   | <i>2023</i>       |
|---|-------------------|
| Cash and cash equivalents   | \$ 363,052        |
| Accounts receivable   | 15,076            |
| Due from affiliates   | 9,651             |
| <b>Total</b>  | <b>387,779</b>    |
| Less: Amounts unavailable for general expenditures within one year, due to:                               |                   |
| Restricted by donors with purpose restrictions  | (7,592)           |
| Financial assets available within one year to meet cash needs for<br>general expenditures within one year | <b>\$ 380,187</b> |

The School prepares an annual budget that is approved by the Board of Directors for the upcoming year. The annual budget includes projected revenue based on current grants, contracts and contributions. Internally prepared financial statements comparing budget to actual results are reviewed by management on a monthly basis and cash flow is monitored daily.

Generally the School will have advance notice of grants and contracts terminating and will manage the reductions in cash flow by reducing expenditures and where necessary, by reducing staffing levels.

As part of the School's liquidity management, financial assets are structured to be available as general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the School has available intercompany short-term notes payable, which it could draw upon. The amount available would be sufficient to cover any deficit in available financial assets below general expenditures within the next fiscal year.

**NOTE 7: RELATED PARTY TRANSACTIONS**

As stated in Note 1, AMIkids executes the contracts, collects funds, coordinates the operations and manages the record keeping of the School and remits these funds to the School on a monthly basis in accordance with the subcontract agreement. For providing these and other services, AMIkids was paid \$239,442 and \$189,405 in fiscal 2023 and 2022, respectively, which was recorded as management fee and other expense included in program services and management and general in the accompanying statement of functional expenses.



**NOTE 7: RELATED PARTY TRANSACTIONS (Continued)**

Amount due from AMIkids and other affiliates at June 30, 2023 and 2022 consists of:

|                             | <b>2023</b> |    | <b>2022</b> |
|-----------------------------|-------------|----|-------------|
| Affiliate trade receivables | \$ 9,651    | \$ | 917         |

The School periodically enters into transactions with AMIkids and affiliated Schools for intercompany billings of common costs and services received or rendered. The School may also enter into other financing transactions with AMIkids. Except as noted below, these amounts are non-interest bearing and have no maturity date or collateral.

Amounts due from AMIkids and other affiliates at June 30, 2023 and 2022 consists of:

|   | <b>2023</b> |    | <b>2022</b> |
|---|-------------|----|-------------|
| Affiliate trade payables                | \$ 69,005   | \$ | 39,394      |
| Notes payable to AMIkids, due June 2024 |             |    |             |
| interest charges accruing at            |             |    |             |
| 7.27% per annum; Unsecured              | 868,300     |    | 705,300     |
|   | \$ 937,305  | \$ | 744,694     |

**NOTE 8: PENSION PLAN**

AMIkids maintains a noncontributory defined contribution money purchase pension plan covering all full-time employees who have completed two years of service and have attained the age of 20 ½ years. Contributions to the Plan are based on a percentage of each employee's compensation for the year. The pension expense for the year ended June 30, 2023 and 2022 totaled \$42,914 and \$50,329, respectively.

**NOTE 9: CONCENTRATIONS OF CREDIT RISK**

Cash is maintained in bank deposit accounts, which at times may exceed federally insured limits. The School believes it is not exposed to any significant credit risk in these accounts.

**NOTE 10: CONTINGENCIES**

A substantial portion of AMIkids and the School's public support is derived from programs supported by various funding agencies. Under the terms of the agreements with these funding agencies, AMIkids and the School's financial records are subject to audit by the appropriate governmental authorities. Depending upon the results of these audits, if any, funds may be required to be refunded to the appropriate funding agency. In the opinion of AMIkids and the School's management, no public support funds will be required to be refunded. Accordingly, no provision for such contingency has been made in these financial statements.

The School is subject to various claims and legal proceedings, which arise in the ordinary course of business. The School does not believe that these matters will have a material adverse effect on its financial position or operating activities.

The School had negative net asset without donor restrictions of \$526,615 at June 30, 2022 with a decrease in net assets of \$81,182 for the year ended June 30, 2023 resulting in a negative net assets without donor restrictions of \$607,797 at June 30, 2023.

The ability of the School to continue as a going concern is dependent on the support of AMIkids, Inc. It is the intention of AMIkids, Inc. to continue to support the operations of the School and provide working capital as needed to the extent the School remains in compliance with its AMIkids, Inc. contract.



**AMlkids Caddo, Inc.**

**Schedule of Compensation, Benefits and Other Payments to Agency Head**

**Or Chief Executive Officer**

**Year ended June 30, 2023**

**Agency Head Name:**

Gwendolyn Hamilton

| <b>Purpose</b>      | <b>June 30, 2023</b> |
|---------------------|----------------------|
| Salary              | \$ 83,685            |
| Benefits-Retirement | 12,553               |
| Conference Travel   | 366                  |
| Travel              | 832                  |
| Other               | 564                  |
| Total               | \$ 98,000            |

**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**

The Board of Trustees  
AMikids Caddo, Inc.

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 AMikids Caddo, Inc. (the "School"), a charter school and component unit of the District School Board of Caddo Parish, Louisiana, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Tampa, Florida

November 13, 2023

All procedures performed below were performed by AMIkids internal audit department.  
See below for procedures performed and results of procedures for each step listed.

## AMIkids Caddo INSTRUCTIONS

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### **Introduction**

The Louisiana Legislative Auditor (LLA) has prescribed statewide agreed-upon procedures (AUPs) below, which are intended to represent a minimum level of additional work to be performed at those local entities (local governments and quasi-public organizations, including not-for-profit organizations) that meet the legal requirement to have an audit under the Audit Law<sup>1</sup> (i.e., public funds totaling \$500,000 or more in revenues and other sources). **This update to the AUPs will be effective for those entities that have fiscal years ending December 31, 2022 through November 30, 2023 (Year 5).**

The AUPs are not intended to address all areas of risk within an entity. Instead, they are designed to address those areas that have resulted in the most frequent incidents of fraud, waste, or abuse of public funds.

The AUPs are applicable to all fund types (governmental, proprietary, and fiduciary, including custodial funds administered by sheriffs or other tax collectors). But see the [Single Audit](#) and [School Activity Fund](#) exemption sections following.

As has been in place since 2021, all entities not exempt from performing the AUPs as stated within the Applicability of AUPs section of this document are required to perform all AUP categories.

### **What's New?**

- Procedure 2 (Board or Finance Committee): Added a Board oversight component to solving audit findings;
- Procedure 5 (Non-Payroll Disbursements): Added to observe that only authorized check signers approve the electronic disbursement of funds;
- Procedure 10 (Ethics): Added to inquire whether the agency has appointed an Ethics designee;
- Procedure 13 (Information Technology Disaster Recovery/Business Continuity): Added to observe evidence that the agency's backup of critical data was not stored on the local server or network; and

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<sup>1</sup> R.S. 24:511-24:559



- Procedure 13 (Information Technology Disaster Recovery/Business Continuity): Added to observe that terminated employees have been removed or disabled from the network.

Additionally, edits have been made to other AUP categories, existing instructions, footnotes, and Frequently Asked Questions (FAQs).

### **Applicable Auditing Standards**

The AUPs are to be performed in accordance with attestation standards (Statements on Standards for Attestation Engagements; SSAEs) established by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards*, and the AUP report must be attached with the audit report that is submitted to the Legislative Auditor's office (i.e., one pdf file submitted to the LLA rather than two). The AUPs are required to be performed by the same firm that performs the annual audit; accordingly, a separate "engagement approval form" for the statewide AUP engagement is **not required**. The LLA is considered to be a specified party to the AUP engagements and acknowledges that the procedures performed are appropriate for our purposes by our acceptance of the standard audit engagement approval forms.

### **Reporting AUP Findings**

*Findings* are the factual results of the procedures performed, including sufficient details of any exceptions found. All exceptions found, other than those related to Information Technology Disaster Recovery/Business Continuity, are to be included in the AUP report with management's responses/corrective actions. To avoid potential conflicts with the attestation standards, we recommend that management prepare a single overall response to the AUP report. If management chooses **not** to respond to the AUP findings at all, the practitioner must include a statement that "management declined to respond to the findings or provide a plan of corrective action." If no exceptions are found when performing a procedure, "no exceptions were found as a result of this procedure" is an acceptable result in the AUP report.

To avoid the possible exposure of entity information technology vulnerabilities, we ask that results of the Information Technology Disaster Recovery/Business Continuity AUP testing (Procedure 13) be discussed with management and **not shown within the AUP report**. Instead, we ask that each procedure under the Information Technology Disaster Recovery/Business Continuity AUP category be followed by the statement, "**We performed the procedure and discussed the results with management.**" *Note: The practitioner should maintain documentation of Information Technology Disaster Recovery/Business Continuity AUP testing and subsequent results in the engagement workpapers.*

The LLA does not intend to penalize entities for exceptions that do not directly correspond to control risks. Accordingly, if the practitioner found exceptions within an AUP category, based strictly on the wording of the procedure, but the practitioner believes that compensating controls **fully** mitigated the underlying control risk, the entity may report no exceptions. The practitioner should maintain documentation of compensating controls in the engagement workpapers.

### **Statewide Agreed-Upon Procedures Exceptions and the Schedule of Audit Findings**

The results of the AUPs do not change the practitioner's separate responsibility to report significant deficiencies, material weaknesses, material noncompliance, etc. as part of the regular audit engagement. However, the practitioner should not include the AUP exceptions or a reference to the exceptions in the audit report's schedule of findings unless an AUP or internal audit exception rises to the level of a significant deficiency or material weakness and is included as a finding for purposes of the audit. Similarly, AUP exceptions should not be copied and pasted as findings in the LLA report submission portal unless they are addressed as findings in the audit report.

### **Knowledge of Matters Outside Agreed-Upon Procedures**

Under the attestation standards, the practitioner need not perform procedures beyond the procedures agreed to and acknowledged by the engaging party to be appropriate for the intended purpose of the engagement. If, in connection with the application of the procedures and through the completion of the engagement, matters come to the practitioner's attention by other means that significantly contradict the subject matter referred to in the practitioner's report, the practitioner should discuss the matter with the engaging party and take appropriate action, including determining whether the practitioner's report should be revised to disclose the matter. While the reporting of these matters within the AUP report is at the practitioner's discretion, the practitioner still has an obligation to consider the associated risk/noncompliance as part of the audit.

If the practitioner has gained "knowledge of matters outside agreed-upon procedures" related to fraud, theft, or the pledge/loan/donation of public funds (LA Const. Art. 7, Section 14<sup>2</sup>), and the practitioner does not include these matters in either the AUP report or in the audit report, the practitioner **MUST** contact the LLA to discuss before submitting the reports.

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<sup>2</sup> Article 7, Section 14 of the Louisiana Constitution prohibits the loan, pledge, or donation of funds, credit, property, or things of value (e.g. cash advances or non-business purchases, regardless of whether they were reimbursed).



### **Applicability of AUPs – Local Governments and Quasi-Public Entities**

These AUPs are applicable to all local governments and quasi-public entities defined in R.S. 24:513(A)(1)(b) paragraphs i through iii and v as follows:

- i. An organization, either not-for-profit or for-profit, created by the state of Louisiana or any political subdivision or agency thereof, any special district or authority, or unit of local government to perform a public purpose.*
- ii. An organization, either not-for-profit or for-profit, that is a component unit of a governmental reporting entity, as defined under generally accepted accounting principles.*
- iii. An organization, either not-for-profit or for-profit, created to perform a public purpose and having one or more of the following characteristics:*
  - aa. The governing body is elected by the general public.*
  - bb. A majority of the governing body is appointed by or authorized to be appointed a governmental entity or individual government official as a part of his official duties.*
  - cc. The entity is the recipient of the proceeds of an ad valorem tax or general sales tax levied specifically for its operations.*
  - dd. The entity is able to directly issue debt, the interest on which is exempt from federal taxation.*
  - ee. The entity can be dissolved unilaterally by a governmental entity and its net assets assumed without compensation by that governmental entity.*
- v. Any organization, either not-for-profit or for-profit, which is subject to the open meetings law and derives a portion of its income from payments received from any public agency or body.*

For **multi-state quasi-public entities**, the AUPs are applicable for only Louisiana funds. For example, if a multi-state agency with Louisiana offices has a payroll function that is not funded with Louisiana funds, then the payroll AUP section would not be applicable.

### **Applicability of AUPs - Component Units**

The scope of the AUPs applies to the primary reporting entity and is not required to be extended to discretely presented component units of the entity. However, entities that are discrete component units of a primary government and separately report to the LLA are individually subject to the AUPs. Discrete component units that separately report to the LLA but have portions of their operations performed by the primary government (payroll processing, for example) are exempt from those portions of the AUPs relating to the operations performed by the primary government: instead, AUPs performed at the primary government should address those areas.

### **Applicability of AUPs –Not-for-Profit Entities**

These AUPs are applicable **to only the public funds** of not-for-profit entities defined in R.S. 24:513(B)(1)(b)(iv) as follows:

- iv. *Any not-for-profit organization that receives or expends any local or state assistance in any fiscal year. Assistance shall include grants, loans, transfers of property, awards, and direct appropriations of state or local public funds. Assistance shall not include guarantees, membership dues, vendor contracts for goods and services related to administrative support for a local or state assistance program, assistance to private or parochial schools except as provided in R.S. 17:4022, assistance to private colleges and universities, or benefits to individuals.*

In addition, these AUPs are applicable to the not-for-profit entities defined in paragraph iv above only if their revenues and other sources of **public funds** total at least \$500,000. Only those AUP areas applicable to **public funds** administered by the not-for-profit entity are required to be included in the scope of the AUP engagement. The [Reporting Requirements for Not-for-Profit Organizations](#) document may be useful in identifying public assistance, calculating revenues and other sources of funds, and determining which type of report not-for-profit entities are required to submit to the LLA.

For **multi-state not-for-profit entities**, the AUPs are applicable for only Louisiana funds. For example, if a multi-state not-for-profit entity with New York offices has a payroll function that is funded with Louisiana funds, then the payroll AUP section would be applicable.

### **AUP Exemption – Single Audit**

If either a governmental, quasi-public entity or not-for-profit entity (collectively known as "local auditee") has met the \$500,000 Audit Law threshold, and all or part of the entity's public funds are federal major program funds (either direct or pass-



through) tested under the entity's Single Audit during the fiscal period, the entity may exclude those AUP categories that are covered under federal program testing, regardless of whether the federal program testing includes the same procedures or sample sizes. For example, a not-for-profit entity that has one federal program subject to Single Audit testing may exclude credit cards, travel expenditures, non-payroll disbursements, contracts, and payroll and personnel if these areas are subject to testing under Allowable Costs and Procurement in the OMB Compliance Supplement; however, the entity would still be subject to other AUP areas that are not addressed in the OMB Compliance Supplement (e.g., board or finance committee, bank reconciliations). However, an entity that has other public funds not subject to testing under the Single Audit must still test those funds under the AUPs. In that situation, we recommend selecting sample sizes for the applicable AUP categories from the overall population of transactions and then removing those sample items that fall within Single Audit testing. Alternatively, the practitioner could apply a pro-rata ratio to the AUP sample sizes to accomplish the same goal.

#### **AUP Exemption – School or Student Activity Funds**

School or student activity fund accounts may be excluded from testing under the AUPs if they are otherwise addressed in a separately contracted audit or agreed-upon procedures engagement (which does not have to include the same procedures as in the AUPs). In this situation, the audit or agreed-upon procedures report is required to be submitted to the LLA as a separate engagement and is not required to be included in the pdf file with the practitioner's audit/AUP report.

#### **AUP Exemption - Coronavirus State and Local Fiscal Recovery Funds Recipients (CSLFR)**

LLA will not require a local auditee to provide for the statewide agreed-upon procedures report for fiscal years in which the local auditee would be required to provide for a review/attestation report, if not for the receipt of CSLFR funds. See Assistance Listing Number 21.027 table, as explained in Audit Risk Alert 46. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-46-change-in-sa-and-saup-requirement-for-cslfrrecipients-table.pdf>

#### **Other Entities Exempt from the AUPs**

State entities whose financial information is included in the Annual Comprehensive Financial Report of the State of Louisiana are exempt from the AUPs below.

Private and parochial schools, as well as university foundations, facility corporations, and booster associations, are specifically excluded by law from having to provide

audit reports to the LLA and are exempt from the AUPs. Real estate for-profit limited partnership entities are exempt from the AUPs based on the nature of their operations.

### **Statewide AUPs Compared with Other Required AUP Types**

Please note that the statewide AUPs included in this document apply only to local governments and quasi-public entities that meet the requirement to have an audit under the Audit Law. The LLA also has 3 other types of agreed-upon procedures engagements that should not be confused with the statewide AUPs, as follows:

- State entity (not “statewide”) agreed-upon procedures are required for certain engagements for entities that are included in the state’s Annual Comprehensive Financial Report. These engagements are contracted directly by the LLA’s Financial Audit Services group and do not apply to local governments or quasi-public entities.
- Review/Attest engagements include agreed-upon procedures for local governments and quasi-public entities that differ from the statewide AUPs and apply only to those entities that receive public funds of at least \$200,000 but not more than \$499,999.
- Department of Education Performance Measures AUPs are required for school boards and charter schools.

More than one set of agreed-upon procedures may be required, depending on whether each criterion above has been met. For example, a parish school board with public funds of \$500,000 or greater would be subject to both the statewide AUPs and the Department of Education Performance Measures AUPs.

### **Options and Alternatives**

The practitioner may avoid duplication of existing audit procedures by using the same transactions for both audit and AUP purposes. For example, if the AUPs indicate that 10 random transactions should be selected and the practitioner would otherwise plan to test 25 random transactions as part of the entity’s audit, the practitioner may use the same 10 transactions for both the audit and the AUP engagement.

To avoid creating an undue burden on practitioners, the AUPs may be performed for a 12-month “fiscal period” that does not coincide with the entity’s fiscal year, as long as the 12-month fiscal period is no more than 3 months prior to the end of the entity’s fiscal year. For example, the practitioner may perform AUPs for the fiscal period April 1, 2022 through March 31, 2023 for an entity with a fiscal year ending June 30, 2023. All AUPs will reference “fiscal period” to mean the 12-months covered by the



AUPs. If the entity elects to change its “fiscal period,” the subsequent year of AUP testing must not leave a gap between fiscal periods. For example, a change from a March 31 fiscal period end to a June 30 fiscal period end would require a 15-month AUP engagement in the year of change.

### **Using the Work of Internal Auditors or Other Practitioners**

In compliance with SSAE 19, the procedures to be enumerated or referred to in the practitioner’s report should be performed by the engagement team or other practitioners and not by internal auditors.

Internal auditors may prepare schedules and accumulate data or provide other information for the practitioner’s use in performing the procedures. Also, internal auditors may perform and report separately on procedures that they have carried out. Such procedures may be similar to those that a practitioner may perform under this section.

A practitioner may perform procedures on information documented in the working papers of internal auditors. For example, the practitioner may do the following:

- Repeat all or some of the procedures, or
- Determine whether the internal auditor’s documentation indicates procedures performed and whether the findings documented are presented in a report by the internal auditors.

It is inappropriate for the practitioner to do the following:

- Merely read the internal auditors’ report solely to describe or repeat their findings;
- Take responsibility for all or a portion of any procedures performed by internal auditors by reporting those findings as the practitioner’s own; or
- Report in any manner that implies shared responsibility for the procedures with the internal auditors.

The practitioner must include a copy (or copies if the internal auditor has multiple reports that address AUP procedures) of the internal auditor’s procedures performed and findings observed when submitting the audit report and AUP report to the LLA. In this situation, all three reports should be submitted to the LLA as one pdf file, and all three reports will be issued by the LLA as a public document. If the practitioner believes the AUPs collectively cannot be performed based on the nature of the entity’s operations, please contact the LLA to request an exemption to the AUPs. If a specific



procedure cannot be performed based on the nature of the entity's operations, an equivalent procedure may be substituted (e.g., alternate sampling population, alternate method of compiling documentation) at the practitioner's discretion. The substitute procedure is required to be included in the AUP report in place of the original procedure, and this change in procedures may require the practitioner to update his or her client engagement agreement accordingly.

**Special Consideration for School Boards**

For school boards only, the practitioner should consider the deposit site and collection location to be the same if there is a central person (secretary or bookkeeper) through which collections are deposited. The practitioner is required to test documentation at the secretary/bookkeeper level only and is not required to test for completeness of revenues relative to classroom collections by teachers.<sup>3</sup>

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<sup>3</sup> This exclusion would also apply to procedure #4D(i) below.

# PROCEDURES

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Report all findings to the following procedures, either after each procedure or after all procedures, within each of the fourteen AUP categories. "Random" selections may be made using Microsoft Excel's random number generator or an alternate method selected by the practitioner that results in an equivalent sample (e.g., those methods allowed under the AICPA Audit Guide - *Audit Sampling*).

## **1) Written Policies and Procedures**

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A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:<sup>4</sup>

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

*The budgeting process is completed in Questica, a budget software. The Executive Director (ED) completes and enters the budget information and promotes to the Regional Director (RD) for review and approval. Once approved by the RD, the budget is promoted to the Budget Office, where it is reviewed, approved, and promoted to the Chief Executive Office (CEO). Once the CEO reviews and approves the budget it is promoted to the local Board for review and approval. Upon local Board approval, the budget is promoted to the National Budget Committee for approval. Budget amendments are initiated by AMIkids Chief Financial Officer (CFO) when contracts/grants are altered by the contracting agency/grantor, and amendments are subject to the same approval process.*

*Monitoring of the budget is accomplished by providing the program with monthly financial statements. The ED reviews key issues and explains budget variances. The financial statements are discussed at each local Board meeting.*

*In addition, Internal Audit (IA) performs a high-level budget variance analysis that is used as part of the testing methodology during scheduled audits. Included as part of the test work is a review of program Board minutes where it is noted that the budget has been approved.*

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<sup>4</sup> For governmental organizations, the practitioner may eliminate those categories and subcategories not applicable to the organization's operations. For quasi-public organizations, including nonprofits, the practitioner may eliminate those categories and subcategories not applicable to public funds administered by the quasi-public.



No exceptions noted.

- ii. **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.

*Per the Finance Manual, Purchase Orders (POs) are to be prepared and approved by the ED for all purchases over \$1,000 and further supported by three competitive bids for all non-routine/non-recurring expenditures. POs are required to be two-part forms with one part given to the vendor and one part retained by the program. PO copies are not submitted to Finance for payment processing. POs are not required for routine/recurring purchases. IA does not test the PO process as PO copies are not submitted and filed in the invoice files in the Finance Department. In addition, most Accounts Payable (AP) disbursements are routine or recurring in nature. IA does, however, ask to view bids for expenditures over \$1,000 as part of the test process.*

*The lack of purchase orders in the AP process is not considered a significant control deficiency given the nature of the program's expenses. However, all AP disbursements require ED's approval. Non-routine, non-recurring AP disbursements over \$2,500 require the additional approval of the RD and the Board of Directors.*

- iii. **Disbursements**, including processing, reviewing, and approving.

*Invoices are received at the program, scanned to the Sage accounting software by the Business Manager (BM), routed to the ED, who reviews and approves them, and subsequently routed in Sage to the Home Office (HO) AP staff for review and payment. Significant purchases greater than \$2,500 (beyond regular budgeted or business-related expenses) require the advance approval of the RD and program Board.*

- iv. **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).

*Cash collection (checks) can be received by either the program BM and or the ED. All cash receipts are listed on a Daily Cash Receipts Log (DCRL), signed and approved by ED, uploaded to Sage and routed to Finance for posting to the GL. Submission to Finance includes a copy of the check, deposit receipt and any other pertinent documentation received with the check. As stated previously, bank statements are*

received directly from the financial institution at Finance for reconciliation. Physical cash receipts are rare and immaterial.

Note, the program's main deposit activity is through ACH credits from the AMIkids Home Office (HO).

**Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

Payroll is handled at the Home Office by the Payroll Administrator. AMIkids, Inc. uses UKG, workforce management and human resource management services software for payroll processing and payroll records storage. Each employee enters time into a timesheet in UKG, upon timesheet submission, the system routes it to the employee's manager, who reviews and approves the timesheet. The time off requests are processed in the same manner in UKG. Approved payroll records are forwarded in UKG to the Payroll Manager at the Home Office. The Payroll Manager runs time reports, reviews for accuracy, and resolves any discrepancies with the programs. HR runs the approved timesheet reports, reviews, and resolves any discrepancies with the program. Once all discrepancies are resolved with the program, the Payroll Manager runs payroll reports, reviews the payroll pre-check summary for exceptions, verifies time, reviews payroll summaries, and makes necessary adjustments. Upon completion of the verification process, the Payroll Manager reruns the pre-check summary again and completes final verification. Upon completion, the Payroll Manager runs payroll calculation in UKG and contacts the Controller, who completes the payroll process.

Employees rates of pay are maintained at the HR Home Office and are approved by the ED. Offer letters with approved employee pay rates are stored in the employee file within UKG.

- v. **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 Finance Manual addresses leases, independent contractors, rental agreements and promissory notes. All contracts must be in writing and include an "out clause". Significant contracts require obtaining three bids. The ED must get the RD approval, AMIkids Support Services approval, and Board approval. Monitoring contracts is the responsibility of the ED. Contracts are monitored indirectly by Finance AP and staff accounting functions. During program audit, IA selects a sample of contracts for approval and reviews payments made under the contract.



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

*The Finance Manual defines allowable expenses, dollar thresholds for meals and documentation requirements. The ED approves staff expense reports and the ED's expenses are approved by the RD.*

- vii. **Credit Cards (and debit cards, fuel cards, purchase 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 Finance Manual addresses security over the use and storage of credit cards, defines allowable uses and documentation in support of charges. All credit cards statements are required to be approved by the ED and subsequently submitted to AMIKids Home Office AP function for final review and subsequent payment.*

- viii. **Ethics<sup>5</sup>**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

*NA -Section not applicable to AMIKids Caddo.*

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

*NA – AMIKids Caddo does not issue debt instruments.*

- x. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*AMIKids has a formal IT policy that addresses items (1) through (6), above. No exceptions.*

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<sup>5</sup> The Louisiana Code of Governmental Ethics (Ethics Code) is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If the Ethics Code is applicable to a nonprofit, the nonprofit should have written policies and procedures relating to ethics.



- xi. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*AMIkids Caddo adheres to the AMIkids, Inc. HRES1001 Team Member Reference Guide which contains Anti-Discrimination and Harassment policy. The staff is required to complete an annual sexual harassment training and the Home Office Training Manager retains proof of the annual training completion.*

*AMIkids does not issue an annual report on sexual harassment prevention as AMIkids is a non-profit, not a government entity.*

## **2) Board or Finance Committee<sup>6</sup>**

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- A. 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
- i. 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.
  - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds<sup>7</sup>, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds<sup>8</sup> if those public funds comprised more than 10% of the entity's collections during the fiscal period.
  - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.
  - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to

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<sup>6</sup> These procedures are not applicable to entities managed by a single elected official, such as a sheriff or assessor.

<sup>7</sup>Proprietary fund types are defined under GASB standards and include enterprise and internal service funds. The related procedure addresses these funds as a way to verify that boards are provided with financial information necessary to make informed decisions about entity operations, including proprietary operations that are not required to be budgeted under the Local Government Budget Act.

<sup>8</sup> R.S. 24:513 (A)(1)(b)(iv) defines public funds.

management's corrective action plan at each meeting until the findings are considered fully resolved.<sup>9</sup>

*The Board typically meets monthly to review financial results including budget-to-actual variances along with program management's explanation for the variances.*

*There were no audit findings reported in last year's program audit.*

### **3) Bank Reconciliations**

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- A. Obtain a listing of entity 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<sup>10</sup> (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
  - ii. Bank reconciliations include written evidence that a member of management or a 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
  - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*AMikids Caddo has only one general account that is used in daily operations. Review of the 2/28/23 bank reconciliation noted it was prepared within 2 months of the statement date.*

*Bank statements are received at the AMikids Home Office (HO) unopened from the financial institution and reconciled by HO Finance staff. The reconciliations are reviewed by second Finance staff member.*

*There were no reconciling items outstanding for more than 12 months. No exceptions.*

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<sup>9</sup> No exception is necessary if management's opinion is that the cost of taking corrective action for findings related to improper segregation of duties or inadequate design of controls over the preparation of the financial statements being audited exceeds the benefits of correcting those findings.

<sup>10</sup> Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.



#### **4) Collections (excluding electronic funds transfers)<sup>11</sup>**

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- A. Obtain a listing of deposit sites<sup>12</sup> 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).

*NA, the Caddo program location is the only deposit site. Collections typically consist of checks only. Receipt of actual cash is minimal and rare. Receipts are issued for any cash received at the program. Due to the immaterial amounts, formal testing of actual cash receipts processing is not performed by IA.*

- B. For each deposit site selected, obtain a listing of collection locations<sup>13</sup> and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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

- i. Employees responsible for cash collections do not share cash drawers/registers;

*Program does not use cash drawers/registers.*

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;

*Cash collection (checks) can be received by either the program BM and or the ED. All cash receipts are listed on a Daily Cash Receipts Log (DCRL), signed, and approved by ED and submitted to Finance for posting to the General Ledger. Submission to Finance includes a copy of the check, deposit receipt and any other pertinent documentation received with the check. As stated previously, bank statements are received directly from the financial institution at HO Finance for reconciliation. Physical cash receipts are rare and immaterial.*

*Note, the program's main deposit activity is through ACH credits from the Home Office.*

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<sup>11</sup> The Collections category is not required to be performed if the entity has a third-party contractor performing all collection functions (e.g., receiving collections, preparing deposits, and making deposits).

<sup>12</sup> A deposit site is a physical location where a deposit is prepared and reconciled.

<sup>13</sup> A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit. For example, in a school district a collection location may be a classroom and a deposit site may be the school office. For school boards only, the practitioner should consider the deposit site and collection location to be the same if there is a central person (secretary or bookkeeper) through which collections are deposited.

*No exceptions.*

- iii. Each employee responsible for collecting cash is not also 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; and (*see ii above*)
  - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation. (*see ii above*)
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- AMIKids HO carries Fiduciary and Crime Liability coverage for the program. In addition, all employees must pass a criminal background screening prior to employment and again every 5 years thereafter.*
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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). *Alternatively, 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:
- i. Observe that receipts are sequentially pre-numbered.<sup>14</sup>
  - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - iii. Trace the deposit slip total to the actual deposit per the bank statement.
  - iv. Observe that the deposit was made within one business day of receipt<sup>15</sup> 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 and the cash is stored securely in a locked safe or drawer).
  - v. Trace the actual deposit per the bank statement to the general ledger.

*We selected the following deposits for testing:*

*09/19/2022, \$ 120.00. Deposit was traced to a DCRL and to the deposit receipt dated 09/19/2022 and credited to the bank account on the same date. Deposit was traced to GL on 09/19/2022.*

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<sup>14</sup> The practitioner is not required to test for completeness of revenues relative to classroom collections by teachers.

<sup>15</sup> As required by Louisiana Revised Statute 39:1212.



01/27/2023, \$ 1,230.09. Deposit was traced to a DCRL and to the deposit receipt dated 01/27/2023 and credited to the bank account on the same date. Deposit was traced to GL on 01/27/2023.

No exceptions.

**5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)**

- A. 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).
- B. For each location selected under procedure #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
  - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
  - ii. At least two employees are involved in processing and approving payments to vendors;
  - iii. 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;
  - iv. 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; and
  - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

*[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]*

*At the program, the BM opens invoices, enters the transaction to Sage, enters the vendor, scans the related invoice to Sage, financial system. The system automatically routes the invoice to the ED for approval and then the invoice is automatically forwarded to the HO Account Payable (AP) personnel review the invoices for approval, proper coding and other required support as needed. HO AP then generates a check that is sent to the vendors, some bills are paid via ACH.*

*Any exceptions noted during the review at AP are resolved before Finance processing the payment.*

- C. For each location selected under procedure #5A 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
  - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
  - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

*Disbursements are processed at the Caddo location and payments are made at the HO.*

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

*IA randomly chose five (5) transactions for the audit period and tested for the items a-b above. There were no exceptions noted with respect to the test items above.*

## **6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)**

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards<sup>16</sup>. Obtain management's representation that the listing is complete.

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<sup>16</sup> Including cards used by school staff for either school operations or student activity fund operations.



*AMIKids Caddo program does not have any local credit cards issued, only corporate credit cards. IA did not test, as all reconciliations and approvals on these cards and their transactions are done at the corporate level.*

- B. 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
  - i. Observe whether 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) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
  - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #7B 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 (e.g., each card should have 10 transactions subject to inspection)<sup>17</sup>. 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). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

*NA – see note 6A above.*

## **7) Travel and Travel-Related Expense Reimbursements<sup>18</sup> (excluding card transactions)**

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<sup>17</sup> For example, if 3 of the 5 cards selected were fuel cards, transactions would only be selected for each of the 2 credit cards. Conceivably, if all 5 cards randomly selected under procedure #7B were fuel cards, procedure #7C would not be applicable.

<sup>18</sup> Non-travel reimbursements are not required to be inspected under this category.

- A. 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 and 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
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov));
  - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
  - iii. 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 Policies and Procedures procedure #1A(vii); and
  - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Reviewed five (5) expense reimbursements. None had per diem charges. All reimbursements had relevant supporting documentation attached, were for the program business needs, and reviewed/approved by the RD of ED. No exceptions.*

## **8) Contracts**

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- A. 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. *Alternatively, 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
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law<sup>19</sup> (e.g., solicited quotes or bids, advertised), if required by law;

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<sup>19</sup> If the entity has adopted the state Procurement Code, replace "Louisiana Public Bid Law" with "Louisiana Procurement Code."



- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- iv. 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.

*Program did not have any local contracts initiated or renewed during the audit period.*

## **9) Payroll and Personnel**

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- A. Obtain a listing of employees and officials<sup>20</sup> employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
  - i. Observe that all selected employees or officials<sup>21</sup> documented their daily attendance and leave (e.g., vacation, sick, compensatory);
  - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
  - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
  - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

*IA tested five (5) random current employees. All reviewed records were in compliance with items i-iv above. No exceptions.*

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the

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<sup>20</sup> "Officials" would include those elected, as well as board members who are appointed.

<sup>21</sup> Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.

list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

*IA tested records as described above for two (2) employees terminated during the fiscal year. No exceptions were noted.*

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*IA tested five (5) random current employees and obtained management representation as described above.*

## **10) Ethics<sup>22</sup>**

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- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
  - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

*Does not apply to the program as AMikids is a non-governmental entity.*

## **11) Debt Service<sup>23</sup>**

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- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt

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<sup>22</sup> The Louisiana Code of Governmental Ethics (Ethics Code) is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If the Ethics Code is applicable to a nonprofit, the procedures should be performed.

<sup>23</sup> This AUP category is generally not applicable to nonprofit entities. However, if applicable, the procedures should be performed.



instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

- B. 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

*The program does not have a debt service.*

## **12) Fraud Notice<sup>24</sup>**

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- A. 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 as required by R.S. 24:523.

*Does not apply to the program as AMIkids is a non-governmental entity.*

- B. 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 program staff provided a picture of the notice posted in the common area at the program.*

## **13) Information Technology Disaster Recovery/Business Continuity**

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A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."** Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

- i. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for

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<sup>24</sup> Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs and the notice is available for download at [www.lla.la.gov/hotline](http://www.lla.la.gov/hotline)



- testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- ii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- C. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

*We performed the procedures and discussed the results with management.*

#### **14) Prevention of Sexual Harassment<sup>25</sup>**

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- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

*Reviewed the training records and confirmed the employees completed required sexual harassment training during the calendar year. No exceptions.*

- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

*All team members are informed of and provided information related to the organization sexual harassment policy as part of the Team Member Reference Guide (pp12-13) during the onboarding process.*

*AMikids also provides a Report It hotline – to allow Team Members to voice their concerns. The Report It service, an independent, third-party hotline that provides a simple, risk-free way to anonymously and confidentially report concerns and/or policy violations. Report It contact information is also conspicuously posted in common staff areas of the program.*

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<sup>25</sup> While it appears to be a good practice for charter schools to ensure it has policies and training for sexual harassment, charter schools do not appear required to comply with the Prevention of Sexual Harassment Law (R.S. 42:341 et seq). An individual charter school, through the specific provisions of its charter, may mandate sexual harassment training.

*The sexual harassment policy is given to each new hire upon attachment to the program. The policy is also available on the program's intranet to which all employees have access.*

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements; There were 37 employees during the audit period. 68%- 25 completed, 12 did not complete.
  - ii. Number of sexual harassment complaints received by the agency;  
*One (1)*
  - iii. Number of complaints which resulted in a finding that sexual harassment occurred;  
*None*
  - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and  
*None*
  - v. Amount of time it took to resolve each complaint. *Approximately one (1) month.*

*The entity does not issue an annual sexual harassment report; AMIkids is a non-governmental entity.*