

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund**

Financial Statements

Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

To the Trustees  
St. Tammany Federation of Teachers/School Employees  
Health & Welfare Fund  
Covington, Louisiana

**Opinion**

We have audited the accompanying financial statements of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund (a nonprofit organization) which comprise the statements of benefit obligations and net assets available for benefits as of December 31, 2022 and 2021, and the related statement of changes in benefit obligations and net assets available for benefits for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund as of December 31, 2022 and 2021, and the changes in net assets available for benefits for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis For Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Tammany Federation of Teachers/School Employees Health and Welfare Fund 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 opinion.

**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 St. Tammany Federation of Teachers/School Employees Health & Welfare Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

### **Auditor's 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 auditor's 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 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, 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 St. Tammany Federation of Teachers/School Employees Health & Welfare Fund'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 St. Tammany Federation of Teachers/School Employees Health & Welfare Fund'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.

### **Report On Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023 on our consideration of St Tammany Federation of Teachers/School Employees Health & Welfare Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Tammany Federation of Teachers/School Employees Health & Welfare Fund's internal control over financial reporting and compliance.

*Pedelahore & Co, LLP*

Pedelahore & Co., LLP  
Metairie, Louisiana  
June 28, 2023

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund**  
Statements Of Benefit Obligations And Net Assets  
Available For Benefits  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b><u>Benefit Obligations</u></b>		
Estimated claims incurred, but not reported	\$ <u>65,051</u>	\$ <u>69,385</u>
<b><u>Assets</u></b>		
Receivables:		
Participant's contributions	49,205	50,250
Cash	<u>1,556,895</u>	<u>1,539,593</u>
Total assets	<u>1,606,100</u>	<u>1,589,843</u>
<b><u>Liabilities And Deferred Contributions</u></b>		
Accounts payable and accrued expenses	9,430	8,238
Due to St. Tammany Federation of Teachers/ School Employees	9,673	2,490
Deferred contributions	<u>330,000</u>	<u>330,000</u>
Total liabilities and deferred contributions	<u>349,103</u>	<u>340,728</u>
Net Assets Available For Benefits	<u>1,256,997</u>	<u>1,249,115</u>
Excess Of Net Assets Available For Benefits Over Benefit Obligations	<u>\$ 1,191,946</u>	<u>\$ 1,179,730</u>

The Notes to Financial Statements are an integral part of these statements.

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund**  
Statements Of Changes In Benefit Obligations And  
Net Assets Available For Benefits  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Net Increase (Decrease) In Benefit Obligations</b>		
Increase (decrease) during the year attributable to:		
Estimated claims incurred, but not reported	\$ (4,334)	\$ (550)
<b>Net Increase (Decrease) In Net Assets Available For Benefits</b>		
Contributions:		
St. Tammany Parish School Board	660,000	660,000
Voluntary employee (including COBRA payments)	<u>617,712</u>	<u>639,075</u>
Total contributions	1,277,712	1,299,075
Miscellaneous income	<u>5,323</u>	<u>72</u>
Total additions	<u>1,283,035</u>	<u>1,299,147</u>
Payments:		
Claims	1,050,222	1,094,037
Administrative expenses	<u>224,931</u>	<u>192,327</u>
Total deductions	<u>1,275,153</u>	<u>1,286,364</u>
Net Increase (Decrease)	<u>7,882</u>	<u>12,783</u>
<b>Increase (Decrease) In Net Assets Available For Benefits Over Benefit Obligations</b>	12,216	13,333
<b>Excess Of Net Assets Available For Benefits Over Benefit Obligations</b>		
Beginning of year	<u>1,179,730</u>	<u>1,166,397</u>
End of year	<u>\$ 1,191,946</u>	<u>\$ 1,179,730</u>

The Notes to Financial Statements are an integral part of these statements.

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund**  
Notes To Financial Statements  
Years Ended December 31, 2022 and 2021

**Note 1. Fund Description**

St. Tammany Federation of Teachers/School Employees Health & Welfare Fund (the Fund) was established May 13, 1993 pursuant to a collective bargaining agreement entered into by and between the St. Tammany Parish School Board (Employer) and the St. Tammany Federation of Teachers/School Employees (Union), for and on behalf of teachers and other employees engaged in covered employment under the collective bargaining agreement.

The Fund is a voluntary employee beneficiary association (VEBA) qualified under Section 501 (c) (9) of the Internal Revenue Code and organized and administered under Louisiana State law. Consequently, a trust agreement was adopted May 13, 1993 governing the Fund's administration and a plan of benefits was adopted subsequently thereto specifying the eligibility rules for employees and dependent participation and the benefits extended by the plan.

Because the Fund has been established for the exclusive benefit of public employees and is funded pursuant to the collective bargaining agreement by contributions of a governmental agency, the Fund is a "governmental plan" exempt from the coverage of ERISA (the Employee Retirement Income Security Act of 1974). The Fund is not regulated by Section 302 (c) (5) of the Labor Management Relation Act, despite its collectively bargained status, since the Act exempts from its purview employers and union in the public sector.

The Fund is administered by seven Trustees appointed by and represented by the Union. Although authorized by law to offer any benefit sanctioned by Section 501 (c) (9) of the Internal Revenue Code, the Fund presently pays only dental benefits and does not offer major medical benefits of any kind.

Effective January 1, 1999, the Fund began to self-insure all benefits payable by the Fund.

The Fund is self-administered by an Administrative Manager employed directly by the Board of Trustees. The Fund does contract with a firm to provide claims administration on a monthly per employee cost basis.



**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund**  
Notes To Financial Statements  
Years Ended December 31, 2022 and 2021

**Note 2. Summary Of Significant Accounting Policies**

General

The financial statements of the Fund have been prepared using the accrual basis of accounting.

Contributions

All contributions submitted to the Fund are administered by the Board of Trustees pursuant to the Plan of Benefits, as amended from time to time. Contributions are due in annual installments and are considered earned on a pro-rata basis.

Claims Incurred But Not Reported

The benefit obligation for estimated claims incurred, but not reported were estimated by the Fund's actuary based on a percentage of claims paid for the years ended December 31, 2022 and 2021.

Estimates

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

Cash and Cash Equivalents

The Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. A bank custodian holds the Fund's assets.

**Note 3. Funding Policy**

The St. Tammany Parish School Board contributed \$660,000 annually to the Fund for the years ended December 31, 2022 and 2021. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$617,712 and

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund**  
Notes To Financial Statements  
Years Ended December 31, 2022 and 2021

**Note 3. Funding Policy (continued)**

\$639,075 to obtain dependent coverage for the years ended December 31, 2022 and 2021, respectively.

If eligibility is terminated due to cessation of employment or a reduction in hours, an employee may pay for extended coverage pursuant to COBRA, state law, and the Fund rules for limited terms and under the limitations specified in the law and the Fund.

**Note 4. Concentrations Of Credit Risk**

At various times during the period, cash on deposit with one banking institution exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize the potential risk. Cash on deposits is secured by collateral of sufficient market value equal to at least 100% of amounts not insured by any United States government agency.

**Note 5. Retirement Plan**

One of the previous employees of the Fund participated and accrued credits in the St. Tammany school system's defined benefit pension plan, the Teachers' Retirement System of Louisiana, in accordance with its own eligibility rules. Total contributions for retirement benefits for the years ended December 31, 2022 and 2021 were \$-0- and \$3,993 respectively. The employee covered by this plan left the Fund in 2021.

Information concerning the actuarial soundness and vested and non-vested benefits is available in the pension plan's publicly available financial reports.

**Note 6. Related Party Arrangements**

The Fund reimburses the St. Tammany Federation of Teachers/School Employees Union for various operating expenses such as office facilities, utilities and telephones. Total reimbursements for these expenditures for the years ended December 31, 2022 and 2021 were \$9,673 and \$8,251, respectively.

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund**  
Notes To Financial Statements  
Years Ended December 31, 2022 and 2021

**Note 7. Commitments**

Equipment Leases

In June 2020, the Fund entered into a sixty month operating lease for equipment at a monthly rental of \$60. For the years ended December 31, 2022 and 2021, lease expense amounted to \$720 and \$720, respectively. Future minimum lease payments under the operating leases at December 31, 2022 were as follows:

<u>Year Ending</u>	<u>Amount</u>
2023	\$ 720
2024	720
2025	<u>360</u>
	<u>\$ 1,800</u>

**Note 8. Tax Positions**

The Fund is exempt from income taxes under Section 501(c) (9) of the U.S. Internal Revenue Code.

Management has reviewed all tax positions taken in filing with the taxing authorities and believes that there would be no resulting adjustments to taxes paid should these positions be examined. Tax years subject to taxing authority review were December 31, 2021, 2020 and 2019.

**Note 9. Risks And Uncertainties – Significant Estimates**

Estimated claims incurred but not reported are based on formulas representative of reasonable levels of such claims as established by industry standards. The standards are based on insurance company studies, lag studies and certain actuarial assumptions. Due to uncertainties inherent in the estimations and assumptions processes, it is at least reasonably possible that changes in these estimates in the near term would be material to the financial statements.

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund**  
Notes To Financial Statements  
Years Ended December 31, 2022 and 2021

**Note 10. Subsequent Events**

In preparing the financial statements, management has evaluated transactions and events for potential recognition or disclosure through June 28, 2023 the date the financial statements were available to be issued.

**Supplementary Information**

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund  
Schedules Of Administrative Expenses  
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Benefit administration	\$ 97,840	\$ 99,719
Salaries	55,570	46,911
Covid Relief Fund	28,350	-
Professional fees	18,989	16,250
Payroll taxes and fees	8,106	7,781
Office rent	4,500	5,331
Office expense	6,684	1,668
Postage and supplies	1,984	2,158
Telephone	1,071	1,846
Utilities	844	1,073
Meetings and conventions	712	565
Repair and maintenance	160	762
Dues reimbursement	121	432
Employee benefits	-	3,993
Health insurance	-	2,622
Legislative expense	-	1,216
	<u>\$ 224,931</u>	<u>\$ 192,327</u>

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund**  
Schedule Of Compensation, Benefits And Other Payments  
To Agency Head Or Chief Executive Officer  
Year Ended December 31, 2022

Agency Head: Brant Osborn

*Not Applicable. Public funds were not used for agency head compensation,  
benefits, and other payments during the year ended December 31, 2022*

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Trustees  
St. Tammany Federation of Teachers/School Employees  
Health & Welfare Fund  
Covington, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund (a nonprofit organization), which comprise the statement of benefit obligations and net assets available for benefits as of December 31, 2022, and the related statement of changes in benefit obligations and net assets available for benefits for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2023.

**Report On Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Tammany Federation of Teachers/School Employees Health & Welfare Fund'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 St. Tammany Federation of Teachers/School Employee Health & Welfare Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement 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 or significant deficiencies may exist that were not identified.

### **Report On Compliance And Other Matters**

As part of obtaining reasonable assurance about whether St. Tammany Federation of Teachers/School Employees Health & Welfare Fund 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose Of This Report**

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



Pedelamore & Co., LLP  
Metairie, Louisiana  
June 28, 2023

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund  
Schedule Of Current Year Findings  
Year Ended December 31, 2022**

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report

Unmodified

Internal control over financial reporting

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? reported  Yes  None
- Noncompliance material to financial statements noted?  Yes  No

Section II Financial Statement Findings

No findings

**St. Tammany Federation of Teachers/School  
Employees Health & Welfare Fund  
Schedule Of Prior Year Findings  
Year Ended December 31, 2021**

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report

Unmodified

Internal control over financial reporting

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? reported  Yes  None
- Noncompliance material to financial statements noted?  Yes  No

Section II Financial Statement Findings

No findings

**Independent Accountant's Report  
On Applying Agreed-Upon Procedures**

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the St. Tammany Federation Of Teachers/School Employees Health & Welfare Fund, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. The Welfare fund's management is responsible for those C/C areas identified in the SAUPs.

The St. Tammany Federation Of Teachers/School Employees Health & Welfare Fund has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

***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:
- i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - 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.
  - iii. ***Disbursements***, including processing, reviewing, and approving.
  - 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).

- v. **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.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **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).
- ix. **Ethics**, 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.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **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.
- xii. **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.

***This procedure was not performed since it is deemed not applicable to this entity.***

- **Results of Procedures:** We noted no exceptions except the following: The Fund has written policies on travel and expense reimbursement and Information Technology. The written policy for information technology disaster recovery does not include mention (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: however they have hired a computer specialist that maintains all the aforementioned items.

The Fund has policies and procedures on the following, but they are not written policies and procedures: budgeting, disbursements, payroll/personnel, contracting, information technology disaster recovery/business continuity.

The Fund does not have written policies and procedures on purchasing, since they have no government purchases.

The Fund does not have written policies and procedures on receipts/collections since the major collection is one check a month from the School Board taken from members by payroll deduction.

The Fund does not have written policies and procedures on credit cards and debt service since they don't have a credit cards or debt.

The Welfare Fund does not have written policies and procedures on ethics and prevention of sexual harassment since these policies are not applicable to non-profit organizations.

Management's response: The District will review current policies and procedures, determine if additional policies and procedures need to be added, and then formalize these into writing.

## **2) Board or Finance Committee**

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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, 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 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.

***This procedure was not performed, as the entity is not a governmental entity.***

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results of Procedures: No exceptions were noted in the performance of the above procedures.

### ***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 (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.

Results of Procedures: No exceptions were found as a result of this procedure except for review of bank statement and bank reconciliations. The Agency Head receives and reviews the bank statements but has not indicated his review of the statement. The Executive Vice-President receives and reviews the corresponding bank reconciliation but did not have an indication of review.

Management's Response: The bank statements and reconciliations will be initialed after reviewing.

### ***4) Collections (excluding electronic funds transfers)***

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- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).



- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (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;
  - 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;
  - 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
  - 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.
- 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.
- 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.
  - 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 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.

Results of Procedures: The Fund's major cash collections result from one monthly check received in the mail at the office from the School Board due to payroll deductions from members. The

Fund's policy does not require the use of any receipts other than the deposit slip itself, which is stamped or receipted upon deposit at the bank. There is no bonding of the employees.

Management's response: The Fund recognizes the conflicting duties performed by the Administrator, and has established compensating controls which includes a detailed review of the monthly bank statement and bank reconciliation is performed by an employee not responsible for any cash collection or general ledger processes. The reviewer also agrees the reconciled cash balance to the general ledger cash account. The deposit slip is generally prepared the day of receipt, or the next day, and the deposit is made at the bank by the following Friday of receipts. The Fund feels that this deposit frequency is adequate considering the nature of the type of collections and volume of collection activity. The Fund realizes they will need to bond the employees working with cash.

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

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- 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.]*

- 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.
- 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.

Results of Procedures: We noted no exceptions to the above procedures except for the following: The administrator works in QuickBooks and can add/modify vendor files without anyone periodically reviewing the changes, also after the agency head signs checks, they are returned to the administrator for mailing.

Management's Response: The Agency Head will review vendor listing for any new or unusual names, and he will no longer return the signed checks to the Administrator for mailing.

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

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- 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. Obtain management's representation that the listing is complete.
- 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 #6B 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). 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.

Results of Procedures: N/A - These procedures were not performed as the Welfare Fund does not have credit or debit cards.

#### **7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

- 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.

Results of Procedures: No exceptions were noted in the performance of the above procedures.

#### **8) Contracts**

- 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 (e.g., solicited quotes or bids, advertised), if required by law;
- 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.

Results of Procedures: New service contracts in 2022 are not subject to Louisiana bid law.

Management's Response: The Welfare Fund will review the service contract to assess and update the terms and conditions.

## **9) Payroll and Personnel**

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

- 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.

Results of Procedures: No exceptions were noted in the performance of the above procedures.

### ***10) Ethics***

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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.

Results of Procedures: N/A – The Welfare Fund is a non-profit organization as it is deemed not applicable to non-profit organizations.

### ***11) Debt Service***

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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 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).

Results of Procedures: N/A - These procedures were not performed as the Welfare Fund does not any debt.

## ***12) Fraud Notice***

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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.
- 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.

Results of Procedures: Management indicated that there were no misappropriations of public funds during the year. The "fraud" flyer is posted on the Fund's bulletin board. The Fund's website does not have the fraud hotline number listed.

Management's Response: The Fund will update the website and post fraud hotline number.

## ***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."
  - i. 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.
  - ii. 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 testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
  - iii. 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.
- B. 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.

Results of Procedures: We performed the procedures and discussed the results with management.

#### ***14) Prevention of Sexual Harassment***

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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.
- 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).
- 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;
  - ii. Number of sexual harassment complaints received by the agency;
  - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
  - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - v. Amount of time it took to resolve each complaint.

Results of Procedures: N/A – The Welfare Fund is a non-profit organization and this procedure is deemed not applicable to non-profit organizations.

We were engaged by the St. Tammany Federation Of Teachers/School Employees Health & Welfare Fund to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the St. Tammany Federation Of Teachers/School Employees Health & Welfare Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.



This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Pedelahore & Co, LLP*

Pedelahore & Co., LLP  
June 28, 2023  
Metairie, Louisiana