

St. Johns Little Lambs Day Care Center, Inc.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

May 31, 2022

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## INDEPENDENT AUDITORS' REPORT

James F. Stulb, C.P.A.  
Kristine S. Carter, C.P.A.

To the Board of Directors  
St. Johns Little Lambs Day Care Center, Inc.  
Lake Charles, Louisiana

### Disclaimer of Opinion

We were engaged to audit the financial statements of St. Johns Little Lambs Day Care Center, Inc., (Day Care) (nonprofit organization), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

We do not express an opinion on the accompanying financial statements of St. Johns Little Lambs Day Care Center, Inc. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

### Basis for Disclaimer of Opinion

Because of the pervasiveness of the findings reported in this report on pages 16-24, we were unable to completely determine the impact of these items to the financial statements as of May 31, 2022. The findings reported impact all accounting functions, internal controls, and all of the financial statements. The Day Care has not presented information about expenses reported by their functional classifications in the statement of activities or the notes to the financial statements. The Day Care has not presented information regarding the defined benefit pension plan in accordance with generally accepted accounting principles. The Day Care has not presented information about capital assets in the statement of financial position or the notes to the financial statements.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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 the Day Care'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 Financial Statements**

Our responsibility is to conduct an audit of St. Johns Little Lambs Day Care Center, Inc.'s financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our audit report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of St. Johns Little Lambs Day Care Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirement relating to our audit.

## **Supplementary Information**

The supplemental schedule of 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. Because of the significance of the matters giving rise to the disclaimer of opinion on the basic financial statements, we do not express an opinion on the supplementary information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of the Day Care's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Day Care's internal control over financial reporting and compliance.



Lake Charles, Louisiana  
December 8, 2022

**St. Johns Little Lambs Day Care Center, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**May 31, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents		\$ 467,686
Receivables		
Tuition	17,849	
Grants	3,500	
Due from employee	3,162	24,511
<b>Total Current Assets</b>		<u>492,197</u>

**TOTAL ASSETS** \$ 492,197

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable		\$ 14,474
Payroll Liabilities		<u>5,924</u>
<b>Total Current Liabilities</b>		20,398

**NET ASSETS**

Without donor restrictions		244,585
With donor restrictions		<u>227,214</u>
<b>Total Net Assets</b>		<u>471,799</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 492,197

See notes to the financial statements

**St. Johns Little Lambs Day Care Center, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended May 31, 2022**

	<b>Without Donor <u>Restrictions</u></b>	<b>With Donor Restrictions</b>	<b><u>Total</u></b>
<b>Revenue, Support, and Gains</b>			
Tuition	\$ 484,976	\$ -	\$ 484,976
Grant Revenue	328,038	227,214	555,252
Interest	11	-	11
<b>Total Revenue, Support, and Gains</b>	813,025	227,214	1,040,239
<b>Expenses</b>			
Personnel and Benefits	473,873	-	473,873
Operational	58,950		58,950
Occupancy	45,265	-	45,265
Building and Maintenance	85,587	-	85,587
<b>Total Expenses</b>	663,675	-	663,675
<b>Increase (Decrease) in Net Assets</b>	149,350	227,214	376,564
<b>Net Assets at Beginning of Year</b>	95,235	-	95,235
<b>Net Assets at End of Year</b>	\$ 244,585	\$ 227,214	\$ 471,799

See notes to the financial statements

**St. Johns Little Lambs Day Care Center, Inc.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended May 31, 2022**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 376,564
Adjustments to reconcile change in Net Assets	
Decrease (Increase) in operating assets	
Accounts receivable	(24,744)
Increase (Decrease) in operating liabilities	
Accounts payable	14,475
Payroll Liabilities	(5,445)
Total Adjustments	<u>(15,714)</u>
<b>Net Cash Provided by Operating Activities</b>	360,850
<b>Cash - Beginning of Year</b>	<u>106,836</u>
<b>Cash - End of Year</b>	<u><u>\$ 467,686</u></u>

See notes to the financial statements

**St. Johns Little Lambs Day Care Center, Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

**May 31, 2022**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of St. Johns Little Lambs Day Care Center, Inc. (the Day Care) is presented to assist in understanding the Day Care's financial statements.

Nature of organization

St. Johns Little Lambs Day Care Center, Inc. is a branch of St. John Lutheran Church (the Church), organized as a not-for-profit organization with the State of Louisiana in 1980. The Day Care's purpose is to provide childcare to members and non-members in the surrounding community that is focused on Christian values and beliefs. The Day Care is an additional outlet for the Church to spread the Gospel throughout the community.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset categories:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature: those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Day Care considers all short-term investments with an original maturity of one year or less when purchased to be cash equivalents.

Accounts Receivables

Accounts receivable are stated at unpaid balances. Management believes all balances are fully collectible.



**St. Johns Little Lambs Day Care Center, Inc.**

**NOTES TO THE FINANCIAL STATEMENTS – (continued)**

**May 31, 2022**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue Recognition

Tuition and grant revenue is recorded when earned. Revenue that is restricted is reported as increases in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are recognized. All other restricted revenue is reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Tuition is paid weekly or monthly as specified in the attendance agreement. Tuition rates vary depending on attendance – full day or half day and days of the week. Discounts are offered for multi-child families.

American Rescue Plan Act (ARPA) Stabilization Grants and Louisiana Child Care Assistance Provider (LaCAP) grant relief funds were issued to assist child care providers in response to issues arising as a result of COVID 19. The grants were paid based on the Day Care's licensed capacity. The funds can be used to recover past financial losses and to pay for current operating expenses. The Day Care received \$227,214 of American Rescue Plan Act Stabilization Grants to be spent on future operating expenses and is included as restricted revenue for the year ending May 31, 2022 (Note C).

Tax Exempt Status

As a branch of St. John Lutheran Church, the Day Care is exempt from federal income taxes under Internal Revenue Code 501(c)(3). Unrelated business income, of which there was none for the year ended May 31, 2022, would be subject to federal income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

**NOTE B COVID-19 PANDEMIC**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of any countries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while this may negatively impact the Day Care's operating results, the related financial impact and duration cannot be reasonably estimated at this time.

**NOTE C RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions for the year ended May 31, 2022 were as follows:

Specific Purpose - ARPA Grant - Program related expenditures	<u>\$227,214</u>
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**St. Johns Little Lambs Day Care Center, Inc.**

**NOTES TO THE FINANCIAL STATEMENTS – (continued)**

**May 31, 2022**

**NOTE D LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Day Care regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The following reflects the Day Care's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets available to meet cash needs for general expenditures within one year of May 31, 2022:

Cash and cash equivalents	\$467,686
Receivables	<u>24,511</u>
Financial assets at year-end	492,197
Less those unavailable for general expenditures within one year due to:	
Donor-restricted to program related expenditures	<u>(227,214)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$264,983</u>

**NOTE E RELATED PARTIES**

The Day Care operates as a branch of the Church. The Day Care facility is owned by the Church. The Day Care pays rent on a month to month basis and reimburses the Church monthly for expenses paid on their behalf. Total payments to the Church for the year ended May 31, 2022 were as follows:

Employee benefits	\$56,903
Occupancy - Rent	16,000
Occupancy – Insurance	15,630
Occupancy - Utilities	12,993
Building and Maintenance	<u>13,825</u>
	<u>\$115,351</u>

On August 27, 2020, Hurricane Laura made landfall and caused extensive damages to the Day Care facility. The facility is insured by the Church. The total claim for the facility was \$109,780 with a deductible of \$85,635. The Day Care paid \$30,085 in repairs and replacements. The remaining expenses were paid by the Church.

**NOTE F COMPENSATED ABSENCES**

Annual leave is available to year-round employees for a maximum of 2 weeks per year depending on years of service. Three days sick leave per year is available to all employees. Annual and sick leave is expensed when paid. All leave is non-cumulative.

**St. Johns Little Lambs Day Care Center, Inc.**

**NOTES TO THE FINANCIAL STATEMENTS – (continued)**

**May 31, 2022**

**NOTE G      CONCENTRATIONS**

The Day Care maintains its cash accounts in a commercial bank. Accounts at the commercial bank are insured by the FDIC insurance up to \$250,000. As of May 31, cash in the amount of \$244,911 exceeded FDIC coverage and therefore was uninsured.

The Day Care receives a substantial amount of support from the Church. A significant reduction in this support, if it were to occur, would affect the Day Care's programs and activities.

**NOTE H      DEFINED BENEFIT PLAN**

The Day Care participates in a defined benefit pension plan (the Plan) covering employees serving The Lutheran Church – Missouri Synod (Synod) whose customary employment is for over 20 hours per week and at least five months per year. The Plan excludes temporary, probationary, and part-time workers. Employer contributions rates are established by the Board of Trustees to fund benefits earned under the Plan provisions. Pension benefits are generally calculated based on the worker's salary, creditable service, and integration level. This benefit is fully vested after five years of creditable service. The Day Care's funding policy is to make the minimum monthly contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The total Plan contributions by the Day Care remitted to the Church during the year ending May 31, 2022 were \$12,939.

Church plan status exempts the Plan from certain provisions of the Employee Retirement Income Security Act of 1974. The following table sets forth further information about the total Pension Plan included in the Concordia Retirement Plan audit report as of December 31, 2021:

Pension Plan obligations and funded status (in thousands):

Projected benefit obligation at December 31	\$4,432,016
Net assets available for benefits at fair value at December 31	\$4,579,577

**NOTE I      SUBSEQUENT EVENTS**

On July 1, 2022, the Day Care reached a settlement agreement in lieu of litigation with several employees and The Wage and Hour Division of the U.S. Department of Labor in relation to an investigation under the Fair Labor Standards Act of 1938 (the Act). The Organization was found to be in violation of the Act related to payment of overtime wages and was required to pay \$4,607 in back wages and \$4,607 in liquidated damages. The settlement payments were made in July 2022 and are included in accounts payable of the financial statements.

Subsequent events have been evaluated through December 8, 2022, which is the date the financial statements were available to be issued.

**St. Johns Little Lambs Day Care Center, Inc.**  
**SUPPLEMENTAL SCHEDULE OF EXPENSES**  
**For the year ended May 31, 2022**

<b>Personnel and Benefits</b>	
Salaries	\$ 388,583
Payroll taxes	28,387
Employee benefits	<u>56,903</u>
<b>Total Personnel and Benefits</b>	473,873
<b>Operational</b>	
Groceries	27,122
Supplies	14,748
Office expense	15,351
Miscellaneous	<u>1,729</u>
<b>Total Operational</b>	58,950
<b>Occupancy</b>	
Rent	16,000
Insurance	15,630
Utilities	<u>13,635</u>
<b>Total Occupancy</b>	45,265
<b>Building and Maintenance</b>	<u>85,587</u>
<b>Total Expenses</b>	<u><u>\$ 663,675</u></u>

See Independent Auditors' Report

St. Johns Little Lambs Day Care Center, Inc.

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

For the Year ended May 31, 2022

**AGENCY HEAD NAME: Rebecca Yelverton, Executive Director**

<b><u>PURPOSE</u></b>	<b><u>AMOUNT</u></b>
Salary	\$58,332
Benefits	
Insurance	18,190
Retirement	5,188
Christmas bonus	<u>500</u>
<b>TOTAL</b>	<b><u><u>\$82,210</u></u></b>

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

To the Board of Directors  
St. Johns Little Lambs Day Care Center, Inc.  
Lake Charles, Louisiana

We were engaged to audit the financial statements of St. Johns Little Lambs Day Care Center, Inc., (Day Care) (nonprofit organization), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. We disclaimed an opinion on the financial statements and the related notes to the financial statements, and have issued our report thereon dated December 8, 2022.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Day Care'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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Day Care's internal control. Accordingly, we do not express an opinion of the effectiveness of the Day Care's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompany schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-4, 2022-5, and 2022-12 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-1, 2022-2, 2022-3, 2022-6, 2022-9, 2022-10, and 2022-13 to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Day Care's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2022-7, 2022-8, 2022-11, 2022-14, and 2022-15.

### **Day Care's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Day Care's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Day Care's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 Day Care'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 Day Care's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lake Charles, Louisiana  
December 8, 2022

St. John Little Lambs Day Care Center, Inc.  
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

Section I – Summary of Auditors’ Results  
May 31, 2022

*Financial Statements*

Type of auditor’s report issued:

Disclaimer of Opinion

Internal control over financial reporting:

- Material weakness (es) identified? \_X\_ yes \_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_X\_ yes \_None Reported
- Noncompliance material to financial statements noted? \_X\_ yes \_no

Section II – Financial Statement Findings

**Current Audit**  
**2022-1**

**Overall inadequate design and implementation of internal controls**

Criteria: Adequate internal controls are a basic requirement of every accounting function. As part of an adequate system of internal control, certain accounting functions should include internal control aspects of the control environment, risk assessment, information and communication, and monitoring.

Condition: During our audit, we discovered there was a lack of design of the internal controls over the accounting functions and there were no written accounting policies and procedures.

Effect: Lack of internal controls could lead to intentional or unintentional errors being made and not detected within the accounting system.

Cause: The Day Care does not have written policies and procedures to maintain adequate internal controls over all accounting functions.

Recommendation: The Day Care should implement written policies and procedures that maintain adequate internal controls over the entire accounting functions.

Response: The Day Care is in the process of implementing written policies and procedures that maintain adequate internal controls over the entire accounting functions.



SCHEDULE OF FINDINGS AND RESPONSES

**2022-2**

**Segregation of duties over cash receipts and disbursements**

Criteria: Adequate internal controls over cash receipts and disbursements require segregation of duties between record-keeping, custody, and review/reconciliation of cash accounts.

Condition: During our audit, we discovered there was a lack of segregation of duties over cash as one individual receives the payments, pays the bills, records receipts and disbursements, processes payroll, and reconciles the bank account.

Effect: Lack of internal controls could lead to intentional or unintentional errors being made and not detected within the accounting system. An opportunity exists to misappropriate funds as the employee is responsible for the entire cash process with limited oversight by the board of directors.

Cause: The Day Care does not have a policy requiring the segregation of duties for processing cash receipts and disbursements.

Recommendation: We recommend the Day Care implement policies and procedures that include proper segregation of duties and approval for processing cash receipts and disbursements.

Response: The Day Care is in the process of implementing policies and procedures that include proper segregation of duties and approval for processing cash receipts and disbursements.

**2022-3**

**Bank Reconciliations**

Criteria: An adequate system of internal controls includes timely monthly reconciliations of all cash accounts.

Condition: During our audit, we discovered that the Day Care was not preparing timely monthly bank reconciliations or researching outstanding transactions.

Effect: Controls over cash were inadequate. Inaccurate monthly accounting information could be reported to the Board of Directors. Inaccurate annual accounting information could also be reported.

Cause: The Day Care does not have a policy requiring timely reconciliation of bank accounts or proper review and approval of the reconciliations.

Recommendation: We recommend the Day Care perform timely monthly reconciliations of all bank accounts and research transactions that are outstanding more than six months. The reconciliations should also be reviewed and approved by personnel or a board member independent of the cash function.

## SCHEDULE OF FINDINGS AND RESPONSES

Response: The Day Care is in the process of implementing policies and procedures for bank reconciliations to include performing timely monthly reconciliations of all bank accounts and research transactions that are outstanding more than six months. The reconciliations will be reviewed by a board member independent of the cash function.

### **2022-4**

#### **Failure to Reconcile Accounts Receivable**

Criteria: An adequate system of internal controls includes reconciling the accounts receivable sub-ledger to the general ledger on a regular basis. It also includes reviewing the aged accounts receivable report at least monthly to ensure that the recording of transactions are accurate and proper and that any adjustments or write-offs of accounts receivable have been properly recorded and approved.

Condition: During our audit, we discovered that the Day Care was not reconciling the accounts receivable sub-ledger to the general ledger, reviewing the aged accounts receivable report for accuracy and write-offs, and investigating accounts with discrepancies. The Director was responsible for billing, collections, posting payments, and making deposits. Credit card payments were posted to customer accounts net of fees with no adjustments to the customers' account. During our testing, we requested the cash receipt book, but the cash receipt book was misplaced and we were unable to review supporting documentation of cash collections.

Effect: Controls over accounts receivable were inadequate. Inaccurate monthly accounting information could be reported to the Board of Directors. Inaccurate annual accounting information could also be reported.

Cause: The Day Care does not have a policy requiring timely reconciliation of accounts receivable or proper review and approval of the reconciliations.

Recommendation: We recommend the Day Care implement policies and procedures to maintain segregation of duties and proper controls over accounts receivable that include reconciling, reviewing, and investigating discrepancies on the aged accounts receivable report.

Response: The Day Care is in the process of implementing policies and procedures to maintain segregation of duties and proper controls over accounts receivable that include reconciling, reviewing, and investigating discrepancies on the aged accounts receivable report.

### **2022-5**

#### **Inadequate Controls Over Cash Disbursements**

Criteria: Adequate internal controls regarding cash disbursements should include maintaining adequate and appropriate supporting documentation for purchases including an approved check request, invoice, or purchase order.

## SCHEDULE OF FINDINGS AND RESPONSES

Condition: During our audit, we discovered the only approval process for cash disbursements was by the Executive Director. We also discovered that the Day Care does not have written policies and procedures regarding cash disbursements. The Executive Director was the sole check signer, debit card holder, and payroll processing clerk. Of the cash disbursements selected for testing, the Day Care was unable to provide supporting documentation for 157 disbursements totaling \$21,419.

Effect: The Day Care does not maintain controls over cash disbursements which creates opportunity for misappropriation of the Day Care's assets.

Cause: The Day Care does not have written policies and procedures regarding cash disbursements and the policies and procedures being performed do not include an adequate segregation of duties or approval process.

Recommendation: We recommend the Day Care implement policies and procedures regarding cash disbursements that include adequate segregation of duties, maintaining adequate, appropriate supporting documentation, and approval processes.

Response: The Day Care is in the process of implementing policies and procedures regarding cash disbursements that include adequate segregation of duties, maintaining adequate, appropriate supporting documentation, and approval processes.

### **2022-6**

#### **Improper use of Day Care Funds**

Criteria: Louisiana revised statute 42:1461 states officials and employees of any "public entity" assume a personal obligation not to misappropriate, misapply, convert, misuse or otherwise wrongfully take any funds, property or other thing of value belonging to or under custody control of the public entity in which they are employed.

Condition: During our audit, we were told by the Executive Director that personal charges were included on the Day Care's debit card during the year. We were also told that the Director paid for qualified Day Care expenses with her personal debit card during the year.

Effect: The Day Care does not maintain controls over debit card charges which creates opportunity for misappropriation of the Day Care's assets. It was discovered that at least \$3,162 was charged on the Day Care's debit card in error for personal expenses of the Director through May 31, 2022. These funds have since been returned to the Day Care.

Cause: The Day Care does not have a debit card policy in place to prevent the misuse of Day Care funds.

Recommendation: We recommend the Day Care implement policies and procedures regarding debit card usage to help prevent the misuse of Day Care funds.

Response: The Day Care plans to discontinue the use of the debit card.

## SCHEDULE OF FINDINGS AND RESPONSES

### **2022-7**

#### **Budget**

Criteria: Our request for annual budgets and budget comparison reports revealed there was an absence of preparing annual budgets and budget comparison reports.

Condition: Although not required by law, adequate internal controls include preparing an annual budget and monthly budget monitoring. Any significant variances should be addressed and action should be taken as to whether an amended budget is necessary.

Effect: The Day Care did not prepare or monitor the budget on a monthly basis.

Cause: The Day Care does not have a policy requiring the preparation of annual budgets and the monitoring of the performance in comparison to the budget.

Recommendation: The Day Care should prepare a budget prior to year-end and monitor the budget on a monthly basis. Any significant variances should be addressed and action should be taken as to whether an amended budget is necessary.

Response: The Day Care will prepare an annual budget and monitor the budget on a monthly basis and address whether an amendment to the budget is necessary each month.

### **2022-8**

#### **Grant Reimbursements**

Criteria: The Day Care was the recipient of several COVID relief grants.

Condition: The Day Care does not have a policy requiring the reconciliation of grant awards with grant expenditures to determine remaining grant funds available. During our audit, we discovered payments to the St. John Lutheran Church were included as eligible grant expenditures.

Effect: There is no lease agreement or supporting documentation related to the payments to the St. John Lutheran Church and therefore could potentially be deemed as ineligible expenditures related to the COVID relief grants.

Cause: The Day Care does not have adequate controls over grant reporting and compliance.

Recommendation: We recommend the Day Care implement policies and procedures to ensure adequate controls over grant reporting and compliance.

Response: The Day Care is in the process of implementing policies and procedures to ensure adequate controls over grant reporting and compliance.

SCHEDULE OF FINDINGS AND RESPONSES

**2022-9**

**Lease with St. John Lutheran Church**

Criteria: The Day Care operates as a branch of the St. John Lutheran Church. The Day Care facility is owned by the Church, but there is no lease agreement between the two parties.

Condition: The Day Care pays rent and reimburses the Church monthly for expenses paid on their behalf without any supporting documentation or a signed lease agreement.

Effect: There is no lease agreement or supporting documentation related to the payments to the St. John Lutheran Church and therefore could potentially be payments not related to the Day Care or actually owed to the Church.

Cause: The Day Care does not have adequate controls over payments to the Church.

Recommendation: We recommend the Day Care implement policies and procedures to ensure adequate controls over payments to the Church including a signed lease agreement and supporting documentation for expense reimbursements.

Response: The Day Care will meet with the governing members of the Church to determine terms for a lease. They also plan to review all shared costs and determine a monthly reimbursement amount or reasonable calculation of same.

**2022-10**

**Segregation of duties over payroll**

Criteria: Adequate internal controls over payroll require segregation of duties between record-keeping, custody of the payroll funds, and review/reconciliation of payroll-related accounts.

Condition: During our audit, we discovered there was a lack of segregation of duties over the payroll process.

Effect: An opportunity exists to misappropriate funds as the Executive Director is responsible for the entire payroll process without any additional approval processes except for any wage increases during the year.

Cause: The Day Care does not have a policy requiring the segregation of duties for payroll processing.

Recommendation: We recommend the Day Care implement policies and procedures that include proper segregation of duties for payroll processing.

Response: The Day Care is in the process of implementing policies and procedures that include proper segregation of duties for payroll processing.

## SCHEDULE OF FINDINGS AND RESPONSES

### **2022-11**

#### **Compliance with IRS Wage Reporting**

Criteria: Wages paid to employees must be reported as compensation on the employees' W-2 for federal income tax purposes.

Condition: During our audit, we discovered payments totaling \$7,140 were paid to employees without being properly reported on the employees' W-2s.

Effect: The Day Care is not in compliance with the Internal Revenue Code's required reporting and the individual employees' Federal income tax liability could be understated due to the omitted compensation.

Cause: The Day Care does not reconcile the total payroll costs to the total reported wages prior to filing Federal Forms W-3 and W-2.

Recommendation: The Day Care should properly include all wages paid to employees as compensation on the employees' W-2 for income tax purposes.

Response: The Day Care will include all payroll checks in the payroll system and reconcile the total payroll costs to the total reported wages prior to filing Federal Forms W-3 and W-2.

### **2022-12**

#### **Capital Asset Inventory**

Criteria: Our request for capital asset listings and depreciation schedules revealed there was an absence of maintaining capital asset records.

Condition: A complete and accurate inventory listing of capital assets is not maintained.

Effect: The Day Care was not able to provide a listing of capital assets. The financial statements did not include any capital assets.

Cause: The Day Care does not have a capital asset policy nor are they maintaining a list of capital assets.

Recommendation: The Day Care should implement policies and procedures to ensure a complete and accurate inventory listing of capital assets is maintained. The financial records should also be reconciled to the capital asset listing. Insurance coverages should be reviewed at least annually with the capital asset listing to determine proper coverage is being maintained.

Response: The Day Care is in the process of implementing policies and procedures to ensure they maintain a complete and accurate inventory listing of capital assets they own.

## SCHEDULE OF FINDINGS AND RESPONSES

### 2022-13

#### **Documentation of Board Meetings**

Criteria: The Day Care is governed by a board of directors that attempts to meet once a month to review and discuss the operations and business of the Day Care.

Condition: During our audit, it was discovered that minutes of the board meetings are not being maintained.

Effect: The discussions and any actions of the Board of Directors are not being documented.

Cause: The Board of Directors does not maintain minutes of their meetings.

Recommendation: We recommend the Board of Directors maintain official minutes of each meeting including all actions taken during the meetings. The official minutes should also be reviewed and approved at the subsequent meeting.

Response: The Board of Directors will maintain official minutes of each meeting including all actions taken during the meetings. The official minutes will be reviewed and approved at the subsequent meeting.

### 2022-14

#### **Prior Reporting to the Legislative Auditor**

Criteria: The Louisiana audit law requires annual sworn financial statements and certification of public revenues of \$75,000 or less to be filed with the Louisiana Legislative Auditor within 90 days of the end of the entity's fiscal year. The Day Care failed to submit annual sworn financial statements to the Louisiana Legislative Auditor's Office by the statutory due date for fiscal years ending prior to June 1, 2021.

Condition: The Day Care has never submitted any financial statements to the Louisiana Legislative Auditor. During our initial interviews and review of the public funds received by the Day Care, it was determined that they should have reported annual sworn financial statements for fiscal years ending prior to June 1, 2021.

Effect: The Day Care was not in compliance with the Louisiana audit law.

Cause: The Day Care receives monthly tuition assistance support from the Department of Education for qualified children. The receipt of these public funds requires the Day Care to annually report to the Louisiana Legislative Auditor.

Recommendation: The Day Care should implement policies and procedures to ensure compliance with the Louisiana audit law.

Response: The sworn financial statements for the year ending May 31, 2021 were submitted to the Louisiana Legislative Auditor on October 10, 2022.

St. John Little Lambs Day Care Center, Inc.  
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

**2022-15**

**Reporting to the Legislative Auditor**

Criteria: The Louisiana audit law requires annual audited financial statements to be filed with the Louisiana Legislative Auditor within six months of the end of the entity's fiscal year. The Day Care failed to submit annual audited financial statements to the Louisiana Legislative Auditor's Office by the statutory due date for the year ending May 31, 2022.

Condition: The Day Care should have submitted annual audited financial statements to the Louisiana Legislative auditor by November 30, 2022.

Effect: The Day Care was not in compliance with the Louisiana audit law.

Cause: The Day Care receives monthly tuition assistance support from the Department of Education for qualified children. The receipt of these public funds requires the Day Care to annually report to the Louisiana Legislative Auditor.

Recommendation: The Day Care should implement policies and procedures to ensure compliance with the Louisiana audit law.

Response: The Day Care will implement policies and procedures to ensure compliance with the Louisiana audit law.

**Prior Audit**

A prior year audit was not performed.



INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of St. Johns Little Lambs Day Care Center, Inc. (Day Care) 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 (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2021 through May 31, 2022. St. John's is responsible for those C/C areas identified in the SAUPs.

The Day Care 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 June 1, 2021 through May 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:

***Written Policies and Procedures***

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

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

***We performed the procedure above and noted the following exceptions:  
The entity has no written policies and procedures regarding Budgeting.***

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

***We performed the procedure above and noted the following exceptions:  
The entity has no written policies and procedures regarding Purchasing.***

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

***We performed the procedure above and noted the following exceptions:  
The entity has no written policies and procedures regarding Disbursements.***

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

*We performed the procedure above and noted the following exceptions:*

**The entity has no written policies and procedures regarding Receipts/Collections.**

- e) **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(s) rate of pay or approval and maintenance of pay rate schedules.

*We performed the procedure above and noted the following exceptions:*

**The entity has no written policies and procedures regarding Payroll/Personnel.**

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*We performed the procedure above and noted the following exceptions:*

**The entity has no written policies and procedures regarding Contracting.**

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

*We performed the procedure above and noted the following exceptions:*

**The entity has no written policies and procedures regarding Credit Cards.**

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

*We performed the procedure above and noted the following exceptions:*

**The entity has no written policies and procedures regarding Travel and Expense Reimbursement.**

- i) **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.

**The entity is a Nonprofit Organization and therefore the Ethics requirements are not applicable.**

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

**The entity has no long term debt and does not maintain a written debt service policy.**

- k) **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.

*We performed the procedure above and noted the following exceptions:*

The entity has no written policies and procedures regarding Information Technology Disaster Recovery/Business Continuity.

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

The entity is a Nonprofit Organization and therefore the Sexual Harassment requirements are not applicable.

**Management response:**

1a) **Budgeting:** *The Day Care is in the process of adopting a fiscal policy to include written policies and procedures for adopting, monitoring, and amending the budget.*

1b) **Purchasing:** *The Day Care is in the process of adopting a fiscal policy to include written policies and procedures for purchasing procedures.*

1c) **Disbursements:** *The Day Care is in the process of adopting a fiscal policy to include written policies and procedures on disbursement processing, reviewing, and approving.*

1d) **Receipts:** *The Day Care is in the process of adopting a fiscal policy to include written policies and procedures for receiving, recording and preparing deposits.*

1e) **Payroll/Personnel:** *The Day Care is in the process of adopting a fiscal policy to include written policies and procedures for payroll processing and to establish an approval and monitoring process.*

1f) **Contracting:** *The Day Care is in the process of adopting a fiscal policy to include policies regarding written contracts, standard terms and conditions, legal review, and to establish an approval and monitoring process.*

1g) **Credit Cards:** *The Day Care is in the process of adopting a fiscal policy to include written policies and procedures on control of credit cards, allowable business uses, and to establish an approval and monitoring process.*

1h) **Travel and expense reimbursement:** *The Day Care is in the process of adopting a fiscal policy to include written policies and procedures for travel and expense reimbursement.*

1k) **Information Technology Disaster Recovery/Business Continuity:** *The Day Care is in the process of adopting a fiscal policy to include written policies and procedures for information technology disaster recovery/business continuity.*

**Board or Finance Committee**

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2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*The Day Care does not maintain minutes of the board meetings.*

***Management's response:***

***2a) Management will begin to maintain minutes of the board meetings.***

***Bank Reconciliations***

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3. 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:

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

***We performed the procedures above and noted the following exceptions:***

**There was no evidence that the bank reconciliation was prepared within 2 months of the closing date and there was no evidence that a member of management or a board member had reviewed and approved the monthly bank reconciliations.**

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

***We performed the procedure above and noted the following exception:***

**Reconciling items outstanding for more than 12 months were not researched.**

***Management's response:***

***3a/b) Management will implement a policy whereby the bank reconciliations will be prepared and signed within 2 months of the statement closing date and reviewed and approved by the board treasurer on a monthly basis.***

***3c) Management will research reconciling items outstanding more than 12 months.***

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

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

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.



- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

***We performed the procedures above and noted the following exceptions:***

**There are no written policies and procedures relating to employee job duties and job duties are not properly segregated.**

- 6. 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 enforced during the fiscal period.
- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
  - e) Trace the actual deposit per the bank statement to the general ledger.

***We performed the procedures above and noted the following exceptions:***

**Receipts are not sequentially pre-numbered. Deposits were not made within one business day of receipt.**

***Management's response:***

***5) Management is in the process of implementing policies and procedures that include proper segregation of duties and approval for processing cash receipts.***

***7) Management will implement procedures that will require all deposits to be sequentially pre-numbered and to be made within one business day of receipt.***

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

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

***We performed the procedures above and noted the following exceptions:***

**There are no written policies and procedures relating to employee job duties and job duties are not properly segregated.**

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

***We performed the procedures above and noted the following exceptions:***

**The Day Care could not provide the original invoice or supporting documentation for one of the disbursements selected. The disbursement documentation did not include evidence of segregation of duties.**

<u>Date</u>	<u>Check #</u>	<u>Name</u>	<u>Amount</u>
9/30/2021	23883	Colby Conner	\$1,400.00

***Management's response:***

***9) Management is in the process of implementing policies and procedures that include proper segregation of duties and approval for processing cash disbursements.***

***10) Management will maintain records of all invoices and supporting documentation.***

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

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the person who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

*We performed the procedures above and noted the following exceptions:*

**No evidence that monthly statements and receipts were reviewed and approved.**

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

*We performed the procedure above and noted no exceptions.*

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

*We performed the procedures above and noted no exceptions.*

#### **Management's response:**

**12a) Management will require an approval, in writing, of the credit card holder's monthly statements and supporting documentation by someone other than the cardholder.**

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

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a) If reimbursed using a per diem, 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)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

***Based on review of the General Ledger, there were no travel reimbursements during the fiscal period.***

### ***Contracts***

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c) 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 was approval documented).
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

***We performed the procedures above and noted the following exceptions:  
The Day Care has no written policies and procedures related to contracts and could not provide documentation that the contracts were approved by the governing board.***

### ***Management's response:***

***15) Management will implement policies and procedures regarding contract approval.***

### ***Payroll and Personnel***

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



- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: 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.)
- b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

*We performed the procedures above and noted the follow exceptions:*

**Attendance was not approved by supervisors and there was no documentation of the authorized salary/pay rate for any employees.**

18. 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, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

*This procedure is not applicable to the entity because they did not make any termination payments during the fiscal year ending May 31, 2022.*

19. 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.

*We performed the procedures above and noted no exceptions.*

**Management's response:**

**17) Management will implement procedures to have supervisors approve attendance records. Management will begin to keep records of employees approved pay rates.**

### ***Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

***The entity is a private Nonprofit Organization and therefore Ethics requirements are not applicable.***

### ***Debt Service***

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21. 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.
22. 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 entity did not have any debt outstanding during the fiscal year ending May 31, 2022.*

### ***Fraud Notice***

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23. 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.
24. 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.

*We performed the procedures above and noted the following exceptions:*

*The entity did not have the notice required by R.S. 24:523.1 posted on its website.*

### ***Management's response:***

*24) Management will post the Fraud Notice required by R.S. 24:523.1 on its website.*

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

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25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
  - a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
  - b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
  - c. 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.

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

## Sexual Harassment

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26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, 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.
27. 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).
28. 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 it includes the applicable requirements of R.S. 42:344:
  - a. Number and percentage of public servants in the agency who have completed the training requirements;
  - b. Number of sexual harassment complaints received by the agency;
  - c. Number of complaints which resulted in a finding that sexual harassment occurred;
  - d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e. Amount of time it took to resolve each complaint.

*The entity is a private Nonprofit Organization and therefore Sexual Harassment requirements are not applicable.*

We were engaged by St. Johns Little Lambs Day Care Center, Inc. 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 St. Johns Little Lambs Day Care Center, Inc. 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.



Lake Charles, Louisiana  
December 8, 2022

The Board of Directors  
St. John Little Lambs Day Care Center, Inc.  
Lake Charles, Louisiana

In planning and performing our audit of the financial statements of St. John Little Lambs Day Care Center, Inc. (Day Care) for the year ended May 31, 2022; we considered its internal control over financial reporting (internal control) as a basis for designing auditing 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 Day Care's internal control. Accordingly, we do not express an opinion on the effectiveness of the Day Care's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. This letter does not affect our report dated December 8, 2022.

### **Grant Reimbursements**

American Rescue Plan Act (ARPA) Stabilization Grants and Louisiana Child Care Assistance Provider (LaCAP) grant relief funds were issued to the Day Care in response to issues arising as a result of COVID 19. We discovered that the Day Care had not been in communication with the grant monitors to determine cost eligibility of the grants or the period of time that the grant covers. We recommend that the Day Care contact the grant monitors to determine the time period and proper use of grant funds.

### **Personnel Files**

The Day Care maintains employee personnel files, however, during our review of the employee personnel files, it was discovered that the annual approved pay rate was not included in the files. We recommend the Day Care include the approved annual total compensation in each corresponding personnel file.

### **Payroll Processing**

The Day Care pays employees on a bi-weekly schedule that does not coincide with the same 40 hour work week used for calculating overtime pay. To aid in calculating employee overtime pay, we recommend the Day Care process payroll based on the same work week used to calculate overtime pay.

### **FDIC Coverage**

During our audit, we discovered the Day Care maintains funds at JP Morgan Chase Bank, N.A. that are in excess of the Federal Deposit Insurance Corporation (FDIC). We recommend the Day Care review available account options with the bank to ensure all funds are insured by the FDIC.



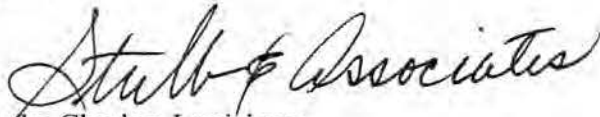
**Receipt Log**

During our audit, we discovered that a receipt log is not being maintained for cash or checks received. To ensure all funds received are deposited and recorded, we recommend the Day Care maintain a receipt log independent of the employee responsible for depositing and posting receipts. The employee responsible for reconciling the bank accounts should also reconcile to the receipt log on a monthly basis.

We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management and others within the Day Care and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Stulb & Associates".

Lake Charles, Louisiana  
December 8, 2022

# St. John's Little Lambs

600 University Drive  
Lake Charles, LA 70605  
337-478-2659

## June 1, 2021 to May 31, 2022 Audit Management Response

### Grant Reimbursements:

The Little Lambs Executive Committee (the Committee) will be in communication with ARPA and LaCAP grant monitors to determine cost eligibility, the proper use of funds, and time period the grant covers. The Committee will meet the reporting requirements for each grant.

### Personnel Files:

The Committee will review all employee personnel files and include the approved annual total compensation in each corresponding file.

### Payroll Processing:

The Committee will review the payroll process and make necessary adjustments as needed, to include using the same work week used to calculate overtime pay.

### FDIC Coverage:

The Committee will review bank account options to ensure all funds are insured by the FDIC.

### Receipt Log:

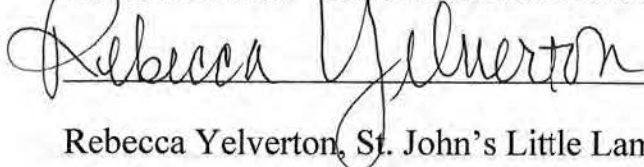
The Committee will create a procedure policy that includes the keeping of a receipt log for all cash or checks received to ensure all funds are deposited and recorded. The receipt log will be independent of the employee responsible for depositing and posting receipts. The employee responsible for reconciling the bank accounts will also reconcile to the receipt log monthly.



Date: 12-19-2022

D. Walter Jessen, Jr.,

Church Council Vice President & Little Lambs Executive Committee Member



Date: 12/19/2022

Rebecca Yelverton, St. John's Little Lambs Daycare Director