

RESPONSIBILITY HOUSE, INC.
TERRYTOWN, LOUISIANA
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Governing Board and Management of
Responsibility House, Inc.
Terrytown, Louisiana

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Responsibility House, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of Responsibility House, Inc. as of June 30, 2022 were audited by other auditors whose report dated November 18, 2022 expressed an unmodified opinion on those 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 generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Responsibility

To the Governing Board and Management of
Responsibility House, Inc.
Terrytown, Louisiana
February 26, 2024

House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Responsibility House, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Responsibility House, Inc.'s ability to continue as a going concern for a reasonable period of time.

Change in Accounting Principle

As discussed in Notes 1 and 7 to the financial statements, Responsibility House, Inc. adopted FASB ASC 842, *Leases*, which resulted in the recognition of right-of-use asset and operating lease liability. Our opinion is not modified with respect to that matter.

To the Governing Board and Management of
Responsibility House, Inc.
Terrytown, Louisiana
February 26, 2024

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of combining statement of activities and of compensation, benefits, and other payments to agency head or chief executive officer, as required by Louisiana Revised Statute 24:513 A.(3), is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 supplementary 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 February 26, 2024, on our consideration of Responsibility House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Responsibility House, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Responsibility House, Inc.'s internal control over financial reporting and compliance.

February 26, 2024
New Orleans, Louisiana


Certified Public Accountants

FINANCIAL STATEMENTS

RESPONSIBILITY HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 688,570	\$ 739,525
Grants and Medicaid fees receivable	<u>238,857</u>	<u>341,811</u>
 Total current assets	 <u>927,427</u>	 <u>1,081,336</u>
 <u>PROPERTY AND EQUIPMENT:</u>		
Automotive equipment	216,730	216,730
Office equipment	19,719	19,719
Furniture and appliances	5,717	5,717
Less: accumulated depreciation	<u>(231,114)</u>	<u>(222,702)</u>
 Property and equipment, net	 <u>11,052</u>	 <u>19,464</u>
 <u>RIGHT-OF-USE ASSETS:</u>		
Operating right-of-use assets	814,312	-
Less: accumulated amortization	<u>(80,926)</u>	<u>-</u>
 Right-of-use assets, net	 <u>733,386</u>	 <u>-</u>
 <u>OTHER ASSETS:</u>		
Deposits	<u>10,613</u>	<u>10,613</u>
 Total assets	 <u>\$ 1,682,478</u>	 <u>\$ 1,111,413</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

RESPONSIBILITY HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accrued annual leave	\$ 102,951	\$ 79,738
Operating lease liabilities, current portion	87,922	-
Notes payable, current portion	<u>-</u>	<u>-</u>
Total current liabilities	<u>190,873</u>	<u>79,738</u>
<u>LONG-TERM LIABILITIES:</u>		
Operating lease liabilities, net of current portion	645,464	-
Notes payable, net of current portion	<u>493,100</u>	<u>493,100</u>
Total long-term liabilities	<u>1,138,564</u>	<u>493,100</u>
Total liabilities	<u>1,329,437</u>	<u>572,838</u>
<u>NET ASSETS:</u>		
Without donor restrictions	<u>353,041</u>	<u>538,575</u>
Total net assets	<u>353,041</u>	<u>538,575</u>
Total liabilities and net assets	<u><u>\$ 1,682,478</u></u>	<u><u>\$ 1,111,413</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

RESPONSIBILITY HOUSE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>REVENUES:</u>			
Grants and Medicaid fees	\$ 2,936,126	\$ -	\$ 2,936,126
Food Stamp income	12,858	-	12,858
Gifts in-kind	53,556	-	53,556
Insurance proceeds	-	-	-
Occupancy fees	25,728	-	25,728
Contributions	22,414	-	22,414
Other	992	-	992
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>3,051,674</u>	 <u>-</u>	 <u>3,051,674</u>
<u>EXPENSES:</u>			
Program services	3,183,186	-	3,183,186
Supporting services:			
Management and general	<u>54,022</u>	<u>-</u>	<u>54,022</u>
 Total expenses	 <u>3,237,208</u>	 <u>-</u>	 <u>3,237,208</u>
 <u>CHANGE IN NET ASSETS</u>	 <u>(185,534)</u>	 <u>-</u>	 <u>(185,534)</u>
 Net assets - beginning of year	 <u>538,575</u>	 <u>-</u>	 <u>538,575</u>
 Net assets - end of year	 <u>\$ 353,041</u>	 <u>\$ -</u>	 <u>\$ 353,041</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

RESPONSIBILITY HOUSE, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES:</u>			
Grants and Medicaid fees	\$ 2,626,071	\$ -	\$ 2,626,071
Food Stamp income	10,001	-	10,001
Gifts in-kind	189,948	-	189,948
Insurance proceeds	274,233	-	274,233
Occupancy fees	27,992	-	27,992
Contributions	11,621	-	11,621
Other	48,284	-	48,284
Net assets released from restrictions	<u>7,250</u>	<u>(7,250)</u>	<u>-</u>
 Total revenues	 <u>3,195,400</u>	 <u>(7,250)</u>	 <u>3,188,150</u>
<u>EXPENSES:</u>			
Program services	3,031,905	-	3,031,905
Supporting services:			
Management and general	<u>88,555</u>	<u>-</u>	<u>88,555</u>
 Total expenses	 <u>3,120,460</u>	 <u>-</u>	 <u>3,120,460</u>
 <u>CHANGE IN NET ASSETS</u>	 74,940	 (7,250)	 67,690
 Net assets - beginning of year	 <u>463,635</u>	 <u>7,250</u>	 <u>470,885</u>
 Net assets - end of year	 <u>\$ 538,575</u>	 <u>\$ -</u>	 <u>\$ 538,575</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

RESPONSIBILITY HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>Supporting Services Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,013,383	\$ 4,820	\$ 1,018,203
Payroll taxes and related benefits	<u>88,636</u>	<u>(2,249)</u>	<u>86,387</u>
Total salaries and related expenses	1,102,019	2,571	1,104,590
Operating services	170,539	32,765	203,304
Supplies	191,360	5,554	196,914
Professional services	100,607	4,720	105,327
Occupancy	1,604,582	-	1,604,582
Transportation	7,953	-	7,953
Depreciation	-	8,412	8,412
Equipment	<u>6,126</u>	<u>-</u>	<u>6,126</u>
Total functional expenses	<u>\$ 3,183,186</u>	<u>\$ 54,022</u>	<u>\$ 3,237,208</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

RESPONSIBILITY HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Supporting Services Management and General</u>	<u>Total</u>
Salaries and wages	\$ 898,078	\$ 13,937	\$ 912,015
Payroll taxes and related benefits	<u>85,655</u>	<u>3,701</u>	<u>89,356</u>
Total salaries and related expenses	983,733	17,638	1,001,371
Operating services	185,399	36,073	221,472
Supplies	207,483	5,369	212,852
Professional services	196,857	4,241	201,098
Occupancy	1,432,121	-	1,432,121
Transportation	17,894	18	17,912
Depreciation	-	25,216	25,216
Equipment	<u>8,418</u>	<u>-</u>	<u>8,418</u>
Total functional expenses	<u>\$ 3,031,905</u>	<u>\$ 88,555</u>	<u>\$ 3,120,460</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

RESPONSIBILITY HOUSE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM (USED FOR)</u>		
<u>OPERATING ACTIVITIES:</u>		
Grant revenue and Medicaid charges	\$ 2,936,126	\$ 2,640,224
Occupancy fees	25,728	27,992
Insurance proceeds	-	274,233
Other	36,264	141,906
	<u>2,998,118</u>	<u>3,084,355</u>
Payments to employees and suppliers	(3,049,073)	(2,966,983)
Interest expense	-	(4,261)
	<u>(50,955)</u>	<u>113,111</u>
<u>CASH FLOWS FROM (USED FOR)</u>		
<u>FINANCING ACTIVITIES:</u>		
Payments on line of credit	-	(50,000)
Proceeds from notes payable	149,900	493,100
Payments on notes payable	(149,900)	-
	<u>-</u>	<u>443,100</u>
Net (decrease) increase in cash and cash equivalents	<u>(50,955)</u>	<u>556,211</u>
Cash and cash equivalents, beginning of year	<u>739,525</u>	<u>183,314</u>
Cash and cash equivalents, end of year	<u>\$ 688,570</u>	<u>\$ 739,525</u>
<u>RECONCILIATION OF INCREASE (DECREASE) IN</u>		
<u>NET ASSETS TO NET CASH PROVIDED (USED) BY</u>		
<u>OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (185,534)	\$ 67,690
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	8,412	25,216
Decrease (increase) in:		
Grants and Medicaid fees receivable	102,954	14,153
Increase (decrease) in:		
Accrued annual leave	23,213	6,052
	<u>(50,955)</u>	<u>113,111</u>
Net cash (used for) from operating activities	<u>\$ (50,955)</u>	<u>\$ 113,111</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Responsibility House, Inc., a private, non-profit corporation, is a New Orleans area agency that assists people who are ready to make the journey to sobriety, stability, and health. Responsibility House, Inc. operates a residential treatment program, outpatient treatment program, and a supportive housing program.

Basis of Accounting and Financial Reporting Framework

The financial statements of Responsibility House, Inc. have been prepared on the accrual basis of accounting and accordingly revenues and gains are recognized when earned, and expenses and losses are recognized when incurred in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB).

Basis of Presentation

The financial statement presentation follows the recommendations of the FASB in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, Responsibility House, Inc. is required to report information regarding its financial position and activities according to two classes of net assets:

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 Responsibility House, Inc. These net assets may be used at the discretion of Responsibility House, Inc.'s management and the board of directors. The revenues received in conducting the mission of Responsibility House, Inc. are included in this category.

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 Responsibility House, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Responsibility House, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at June 30, 2023 and 2022.

Grants and Medicaid Fees Receivable

Management closely monitors outstanding receivable balances and estimates an allowance for uncollectible receivables based on prior experience. Balances that are determined to be uncollectible are written off. Management has determined that all receivable balances are fully collectible. Accordingly, no provision for doubtful accounts is considered necessary as of June 30, 2023 and 2022.

Property and Equipment and Depreciation

Property and equipment acquired by Responsibility House, Inc. are considered to be owned by Responsibility House, Inc. However, state and federal funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Property and equipment are recorded at cost when purchased and at fair market value when received as a donation. Property and equipment exceeding \$5,000 is capitalized. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Depreciation is computed using the straight-line method over the useful lives of the assets. The lives range generally as follows:

Automotive equipment	4 years
Office equipment	5 to 7 years
Furniture and appliances	5 to 7 years

Depreciation expense for the years ended June 30, 2023 and 2022 was \$8,412 and \$25,216, respectively.

Accrued Annual Leave

All full-time staff members generate annual leave based upon individual time in service to Responsibility House, Inc. Accrual rates are per pay period and are determined by the employee's anniversary date. Employees may carry over two years of accrued vacation. Upon termination, the employee's accrued, but not taken hours, will be added to the final paycheck using the employee's then current straight time hourly rate for conversion. As of June 30, 2023 and 2022, the accrued leave liability totaled \$102,951 and \$79,738, respectively.

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Grants and Medicaid Fees

Responsibility House, Inc.'s revenue is primarily comprised of cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The services received by the public are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Amounts received are recognized as revenue when Responsibility House, Inc. has incurred expenditures in compliance with the contract or grant provisions.

Grants and Contributions

Grant revenue is recognized as it is earned in accordance with approved contracts. Contributions are recognized as income in the period received and report as unrestricted or restricted support depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, also when grant services are performed, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Gifts In-Kind

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Responsibility House, Inc.'s policy related to gifts-in-kind is to utilize the assets given to carry out the mission of Responsibility House, Inc. If an asset is provided that does not allow Responsibility House, Inc. to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

All donated noncash assets received by Responsibility House, Inc. for the years ended June 30, 2023 and 2022 were considered without donor restrictions and able to be used by Responsibility House, Inc. as determined by the board of directors and management.

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Responsibility House, Inc.

Income Tax Status

Responsibility House, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Responsibility House, Inc.'s tax-exempt purpose is subject to taxation as unrelated business income. For the year ended June 30, 2023, Responsibility House did not have any unrelated business income. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements. The 2020 through 2022 tax years remain subject to examination by the IRS. Management does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Leases

Responsibility House, Inc. applies judgment in determining whether a contract contains a lease and whether a lease is classified as an operating lease or a finance lease. Responsibility House, Inc. determines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that Responsibility House, Inc. will exercise that option. The lease term is used in determining classification between operating lease and finance lease, calculating the lease liability and determining the incremental borrowing rate.

Responsibility House, Inc.'s lease contracts may include extension and termination options. Responsibility House, Inc. applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date of the lease, Responsibility House, Inc. reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Responsibility House, Inc. is required to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. Responsibility House generally uses the incremental borrowing rate when initially recording real estate leases. Information from the lessor regarding the initial direct costs incurred by the lessor related to the leased assets is not available.

Responsibility House, Inc. determines the incremental borrowing rate of each lease by estimating the credit rating of Responsibility House, Inc. at the time the lease is recognized, referencing market yields corresponding to the credit rating and weighted average life of the lease, and factoring in other lease-specific factors such as assumed collateral.

New Accounting Standards – Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the adoption of these ASUs was to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

Responsibility House, Inc. has adopted FASB ASU No. 2020- 07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. This Update was applied on a retrospective basis and was effective for annual periods beginning after June 15, 2021. The adoption of this update did not have a material impact on Responsibility House, Inc.'s financial statements.

Advertising

Responsibility House, Inc. expenses all non-direct response advertising costs as incurred. Advertising expense for the years ended June 2023 and 2022, were \$4,568 and \$8,437, respectively.

Date of Management Review

Subsequent events have been evaluated through February 26, 2024, which is the date the financial statements were available to be issued.

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available at year end and available to meet cash needs for general expenditures within one year as of June 30, 2023 and 2022 were \$927,427 and \$1,081,336, respectively. No amounts were not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

As part of Responsibility House, Inc.'s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Responsibility House, Inc. has an open line of credit on which to draw in case of unanticipated liquidity needs; therefore, short-term cash flows are carefully monitored.

(3) GRANTS AND MEDICAID FEES RECEIVABLE AND REVENUE

Grants and Medicaid fees receivable and revenue at June 30, 2023 consist of the following:

	<u>Receivable</u>	<u>Revenue</u>
Bayou Health Companies - Medicaid	\$ 43,933	\$ 497,500
Jefferson Parish Human Services Authority:		
Men's residential program	46,695	282,145
PATH	28,474	88,717
Transitional supportive housing	47,967	324,239
Community Development Block Grant	16,817	38,181
Unity of Greater New Orleans:		
Keys project	33,828	1,319,378
Pathways	8,056	289,507
Street outreach	7,516	78,282
U.S. District Court, Probation Office	5,571	14,863
City of Kenner	-	3,314
Total	<u>\$ 238,857</u>	<u>\$ 2,936,126</u>

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(3) GRANTS AND MEDICAID FEES RECEIVABLE AND REVENUE
(CONTINUED)

Grants and Medicaid fees receivable and revenue at June 30, 2022 consist of the following:

	<u>Receivable</u>	<u>Revenue</u>
Bayou Health Companies - Medicaid	\$ 33,000	\$ 437,296
Jefferson Parish Human Services Authority:		
Men's residential program	46,163	172,000
PATH	11,780	81,336
Transitional supportive housing	55,341	280,065
Community Development Block Grant	84,958	86,708
Unity of Greater New Orleans:		
Keys project	25,947	1,141,016
Pathways	59,231	304,391
Street outreach	15,572	78,557
U.S. District Court, Probation Office	8,860	33,016
City of Kenner	959	11,686
Total	<u>\$ 341,811</u>	<u>\$ 2,626,071</u>

(4) LINE OF CREDIT

Responsibility House, Inc. has a \$250,000 revolving line of credit from Hancock Whitney Bank that is utilized for working capital for temporary cash flow. The line of credit matures on November 4, 2026 and terms of repayment call for monthly payments of principal and interest at of interest at the prime lending rate plus 2.00% (10.25% at June 30, 2023). There was no outstanding balance as of June 30, 2023 and 2022.

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(5) NOTES PAYABLE

Notes payable consisted of the following at June 30th:

	2023	2022
<p>Note payable to Small Business Administration. Loan due in monthly payments of \$2,073 plus interest at 2.00% applied first to outstanding accrued interest. Payments on accrued interest begin November 2023. Payments on principal begin September 2024 through maturity in May 2052. Secured with tangible and intangible property.</p>	\$ 343,200	\$ 493,100
<p>Note payable to Small Business Administration. Loan due in monthly payments of \$641 plus interest at 2.75% applied first to outstanding accrued interest. Payments on accrued interest begin September 2023. Payments on principal begin December 2024 through maturity in May 2052. Secured with tangible and intangible property.</p>	149,900	-
<p>Total notes payable</p>	\$ 493,100	\$ 493,100

Maturities of long-term notes payable at June 30th are as follows:

2024	\$ -
2025	9,362
2026	13,100
2027	13,390
2028	13,691
Thereafter	443,557
	\$ 493,100

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(6) GIFTS IN-KIND

Responsibility House, Inc. received donated noncash assets included in the statements of activities as follows during the years ended June 30th:

	2023	2022
Professional services	\$ -	\$ 117,948
Supplies	53,556	72,000
 Total gifts in-kind	 \$ 53,556	 \$ 189,948

(7) LEASE COMMITMENTS

Responsibility House, Inc. elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows Responsibility House, Inc. to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As such, disclosure requirements follow ASC 840 for the year ended June 30, 2022 and follow ASC 842 for the year ended June 30, 2023.

Leases Under ASC 840

During June 30, 2022, Responsibility House, Inc. had operating leases for the residential treatment program, supportive housing program, and the administrative offices. The administrative offices agreements began in December 2009 and May 2017, with renewals every year. Responsibility House, Inc. also makes rental payments for client occupied apartments, which are leased to Responsibility House, Inc., who in turn sublease the apartments to the supportive housing clients. The client occupied apartments are leased for one-year periods beginning at various dates throughout the year. The rental payments are \$561 to \$3,740 per administrative office space, and \$669 to \$1,500 per client occupied apartment.

Responsibility House, Inc. has approximately 100 of client-occupied operating leases for the residential treatment and supportive housing programs (program leases).

In addition, Responsibility House, Inc. has four administrative office operating leases (administrative leases).

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(7) LEASE COMMITMENTS (CONTINUED)

Rent expense from leases for the year ended June 30, 2022 was as follows.

	Program Leases	Administrative Leases	Total
Bayou Health Companies	\$ 13,165	\$ 20,190	\$ 33,355
Jefferson Parish Human Services Authority:			
Men's residential program	13,500	20,180	33,680
PATH	8,270	2,589	10,859
Transitional supportive housing	239,230	4,200	243,430
Unity of Greater New Orleans:			
Keys project	856,931	23,903	880,834
Pathways	213,261	6,688	219,949
Other	-	10,014	10,014
Total	<u>\$ 1,344,357</u>	<u>\$ 87,764</u>	<u>\$ 1,432,121</u>

Leases Under ASC 842

Effective July 1, 2022, Responsibility House, Inc. adopted FASB 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

Responsibility House, Inc. elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

Responsibility House also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the ROU.

Responsibility House, Inc. maintains active leases for use as administrative office space with terms of one year. Each agreement includes four options to extend for an additional one-year period. During June 30, 2023, rental payments are \$561 to \$3,740 per administrative office space.

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(7) LEASE COMMITMENTS (CONTINUED)

The adoption of FASB 842, *Leases*, resulted in the following impact at July 1, 2022:

Operating lease cost	<u>\$ 132,146</u>
Other information:	
Cash paid for amounts in lease liabilities	\$ 132,146
Operating cash flows from operating leases	132,146
Right-of-use assets obtained in exchange for new operating lease liabilities	835,961
Weighted-average remaining lease term- operating leases	8.19 years
Weighted-average discount rate- operating leases	3.74%

Future maturity analysis of operating lease liabilities for the next five years and thereafter are as follows:

2024	\$ 113,388
2025	115,788
2026	115,788
2027	118,188
2028	105,290
Thereafter	<u>273,600</u>
Total lease payments	842,042
Lease- imputed interest	<u>(108,656)</u>
Total	<u>\$ 733,386</u>

Responsibility House, Inc. maintains operating leases shorter than 12 months for the residential treatment program and supportive housing program. Responsibility House, Inc. also makes rental payments for client occupied apartments, which are leased to Responsibility House, Inc., in turn subleases the apartments to the supportive housing clients. The client occupied apartments are leased for one-year periods beginning at various dates throughout the year with payments of \$669 to \$1,600 per client occupied apartment.

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(7) LEASE COMMITMENTS (CONTINUED)

Rent expense from leases for the year ended June 30, 2023 was as follows:

	Program Leases	Administrative Leases	Total
Bayou Health Companies	\$ 17,000	\$ 12,591	\$ 29,591
Jefferson Parish Human Services Authority:			
Men's residential program	9,599	18,813	28,412
PATH	12,442	2,589	15,031
Transitional supportive housing	253,875	2,100	255,975
Unity of Greater New Orleans:			
Keys project	283,260	22,348	305,608
Pathways	923,616	9,083	932,699
Other	9,600	27,669	37,269
Total	<u>\$ 1,509,392</u>	<u>\$ 95,193</u>	<u>\$ 1,604,585</u>

(8) CONCENTRATIONS OF CREDIT RISK

Responsibility House, Inc. maintains its cash in bank deposit accounts at one financial institution. The balances at times may exceed federally insured limits. There were \$463,446 and \$554,788 in excess of amounts covered by the Federal Deposit Insurance Corporation (FDIC) of \$250,000 at June 30, 2023 and 2022, respectively. Responsibility House, Inc. has not experienced any losses in these accounts.

(9) GRANT PROGRAM CONTINGENCIES

Responsibility House, Inc. participates in a number of state and federal grant programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that Responsibility House, Inc. has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of June 30, 2023 and 2022 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and Responsibility House, Inc.

RESPONSIBILITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(10) ECONOMIC DEPENDENCY

Responsibility House, Inc. receives the majority of its revenue from funds provided through grants administered by the federal government and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds Responsibility House, Inc. received could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will significantly affect the amount of funds Responsibility House, Inc. will receive in fiscal year 2024. Responsibility House, Inc.'s support through federal grants totaled approximately 80% and 69% of revenue for each of the years ended June 30, 2023 and 2022, respectively.

(11) RECLASSIFICATIONS

Certain reclassifications have been made to prior year's financial statements to conform to the presentation of the current year financial statements. The reclassifications have no effect on net assets.

(12) SUBSEQUENT EVENTS

On August 1, 2023, Responsibility House, Inc. terminated two of its lease agreements of administrative office space and entered into two new agreements with its lessor of administrative office space for new locations within the existing complex. Each agreement includes four options to extend for an additional one-year period.

SUPPLEMENTARY INFORMATION

RESPONSIBILITY HOUSE, INC
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services											Supporting Services				
	Bayou Health Companies	U.S. Prisons	JPHSA	Transitional Supportive Housing	Community Development Block Grant	PATH	Pathways	Street Outreach	Keys Project	City of Kenner	Other	Total Program Services	Property and Equipment	Management and General	2021 Totals	2022 Totals
REVENUES:																
Grants and Medicaid fees	\$ 497,500	\$ 14,463	\$ 241,410	\$ 324,239	\$ 38,181	\$ 82,749	\$ 287,507	\$ 78,282	\$ 1,319,378	\$ 3,314	\$ 46,763	\$ 2,936,126	\$ -	\$ -	\$ 2,936,126	\$ 2,626,071
Food Stamp income	-	-	12,878	-	-	-	-	-	-	-	-	12,878	-	-	12,878	19,001
Gifts-in-kind	-	-	-	-	-	-	23,556	-	-	-	-	23,556	-	-	23,556	117,948
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	274,233
Occupancy fees	-	-	-	-	-	-	1,479	-	14,249	-	-	25,728	-	-	25,728	27,992
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	22,414	-	22,414	-
Other	302	-	-	-	-	-	-	-	-	-	302	-	690	-	992	131,961
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	497,802	14,463	274,267	324,239	38,181	82,749	344,542	78,282	1,343,627	3,314	46,763	3,029,770	-	23,104	3,051,674	3,188,150
EXPENSES:																
Salaries and wages	297,077	16,432	169,975	49,517	28,481	49,628	66,421	54,312	269,726	1,667	40,144	1,013,343	-	4,820	1,018,203	912,015
Payroll taxes and related benefits	27,582	1,257	18,287	4,392	2,179	4,569	7,802	5,089	18,097	219	3,071	88,636	-	(2,249)	86,287	89,376
Total salaries and related expense	324,659	17,689	218,262	53,909	30,660	54,197	72,223	59,401	227,823	1,886	43,215	1,102,019	-	2,571	1,104,590	1,001,391
Operating services	75,925	-	28,969	3,731	-	6,289	11,507	841	39,823	176	3,488	170,539	-	32,767	203,304	221,472
Supplies	47,726	12	3,831	128	6,548	6,412	17,837	12,593	96,362	-	-	191,569	-	7,554	199,114	212,752
Professional services	75,694	250	13,964	1,000	800	-	66	-	9,133	-	-	100,607	-	4,720	105,327	201,098
Occupancy	26,791	2,238	22,196	255,772	-	15,931	395,638	3,984	932,679	-	37,269	1,604,582	-	-	1,604,582	1,432,121
Transportation	258	-	147	300	-	1,080	1,058	3,059	720	1,382	-	7,933	-	-	7,933	17,912
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	8,412	-	8,412	25,216
Equipment	2,844	-	-	-	-	-	-	-	3,282	-	-	6,126	-	-	6,126	8,418
Total functional expenses	514,698	20,189	287,491	314,830	37,708	84,009	496,279	79,753	1,369,843	3,444	93,972	3,183,186	8,412	46,619	3,237,206	3,129,460
CHANGE IN NET ASSETS	(6,896)	(5,726)	(33,193)	9,409	473	(260)	(63,737)	(1,471)	33,784	(136)	(37,269)	(154,616)	(8,412)	(22,206)	(185,534)	67,690
Transfers to (from) management and general	26,896	7,326	33,193	(9,409)	(473)	260	63,737	1,471	(33,784)	136	37,269	154,616	-	(154,616)	-	-
Net assets - beginning of year	-	-	-	-	-	-	-	-	-	-	-	-	19,464	519,111	38,577	470,885
Net assets - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,052	\$ 341,989	\$ 333,041	\$ 538,575

RESPONSIBILITY HOUSE, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Executive Director</u>
	Wm. Michael Martyn
	<u>07/01/22 through 06/30/23</u>
Time period	
Salary	\$ 139,100
Benefits	13,654
Use of company car	<u>6,100</u>
Total compensation, benefits, and other payments	<u><u>\$ 158,854</u></u>

**OTHER REPORTING REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

**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 Governing Board and Management of
Responsibility House, Inc.
Terrytown, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Responsibility House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Responsibility House, Inc.'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 Responsibility House, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Responsibility House, Inc.'s internal control.

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

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



To the Governing Board and Management of
Responsibility House, Inc.
February 26, 2024

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Responsibility House, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance 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 questioned costs as item 2023-001.

Responsibility House, Inc.'s Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on Responsibility House, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Responsibility House, Inc.'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 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 Responsibility House, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

February 26, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

SINGLE AUDIT SECTION



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Governing Board and Management of
Responsibility House, Inc.
Terrytown, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Responsibility House, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Responsibility House, Inc.'s major federal programs for the year ended June 30, 2023. Responsibility House, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Responsibility House, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Responsibility House, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Responsibility House, Inc.'s compliance with the compliance requirements referred to above.

To the Board of Directors and Management of
Responsibility House, Inc.
February 26, 2024

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Responsibility House, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Responsibility House, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Responsibility House, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Responsibility House, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Responsibility House, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Responsibility House, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors and Management of
Responsibility House, Inc.
February 26, 2024

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

February 26, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

RESPONSIBILITY HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through or Grantor/Program or Cluster Title	Federal AL Number	Grant Year Ended	Agency or Pass-through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services				
<i>Pass-through Jefferson Parish Human Service Authority</i>				
Projects for Assistance in Transition from Homelessness (PATH) Block Grants for Community Mental Health Services	93 150	6/30/23	BH-01-23	\$ 82,749
Transitional Supportive Housing	93 958	12/31/22	BH-108-22	\$ 148,518
Transitional Supportive Housing	93 958	12/31/23	BH-110-23	175,721
Total AL 93,958				<u>324,239</u>
Total U.S. Department of Health and Human Services				406,988
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
<i>Pass-through Jefferson Parish Department of Community Development</i>				
Community Development Block Grants/Entitlement Grants				
CDBG	14 218	4/30/23	21280-1174-139-7331-82013-001	7,864
CDBG	14 218	6/30/23	21280-1174-139-7331-82207-001	15,875
CDBG	14 218	6/30/23	21280-1174-139-7331-82206-001	14,442
				<u>38,181</u>
<i>Pass-through City of Kenner Department of Community Development</i>				
Community Development Block Grants/Entitlement Grants				
CDBG-CV3	14 218	4/30/23	B-17154	3,314
Total CDBG - Entitlement Grants Cluster				41,495
<i>Pass-through Unity of Greater New Orleans</i>				
Continuum of Care Program				
Keys Project	14 267	10/31/22	LA0172L6H032009	389,949
Pathways	14 267	9/30/23	LA0070L6H032114	1,278,257
Street Outreach for Coordinated Entry	14 267	6/30/23	LA0277L6H032105	78,282
Total AL 14 267				<u>1,746,468</u>
Total U.S. Department of Housing and Urban Development				<u>1,787,963</u>
U.S. Department of Justice				
<i>Pass-through United States District Court, Eastern District of Louisiana, Probation Office</i>				
Treatment Court Discretionary Grant Program				
Adult Drug Court Discretionary Grant	16 585	9/30/23	053L-2022-003	14,863
Total U.S. Department of Justice				<u>14,863</u>
Total Expenditures of Federal Awards				<u>\$ 2,209,814</u>

RESPONSIBILITY HOUSE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Responsibility House, Inc. under programs of the federal government for the year ended June 30, 2023. The information in the schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Responsibility House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Responsibility House, Inc.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expense Recognition

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Pass-Through Entity Information

Pass-through entity identifying numbers are presented where available.

Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2023.

(3) INDIRECT COST RATE

Responsibility House, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) MATCHING CONTRIBUTIONS

Matching contributions for the supportive housing program for the year ended June 30, 2023 were as follows:

Gifts in-kind	\$ 53,556
PATH funds	21,007
Responsibility House funds	<u>25,728</u>
Total	<u>\$ 100,291</u>

RESPONSIBILITY HOUSE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Responsibility House, Inc.
2. No significant deficiencies or material weaknesses in internal control related to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. An instance of noncompliance was reported in the 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*.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs were reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Responsibility House, Inc. expresses an unmodified opinion on all major federal programs.
6. A management letter was issued for the year ended June 30, 2023.
7. The program tested as major programs was AL #14.267 Continuum of Care Program.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Responsibility House, Inc. was determined to be a low-risk auditee.

II. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2023-001 Noncompliance with Reporting Requirements

Criteria: Responsibility House, Inc. is required to provide an annual financial report to the Louisiana Legislative Auditor no later than six months after its year end in accordance with Louisiana Revised Statutes 24:513 and 24:514.

Condition: Responsibility House, Inc. failed to comply with these laws, submitting the required reports after the required deadline.

Effect: Responsibility House, Inc. is not in compliance with Louisiana Revised Statutes 24:513 and 24:514.

RESPONSIBILITY HOUSE INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

II. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding 2023-001 Noncompliance with Reporting Requirements (Continued)

Cause: Responsibility House, Inc. experienced delays in the implementation of new accounting standards and providing adequate information for support, resulting in delays providing the audit firm information in a timely manner.

Recommendation: Responsibility House, Inc. should put additional policies and procedures in place to ensure that required annual reports are filed in a timely manner.

Views of Responsible Officials: Management agrees with the finding and has implemented the recommendation. See Management's Corrective Action Plan for further information.

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings related to major federal award programs for the year ended June 30, 2023.

RESPONSIBILITY HOUSE, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

I. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended June 30, 2022.

II. FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

There were no findings and questioned costs related to major federal award programs for the year ended June 30, 2022.

III. MANAGEMENT LETTER

There was no management letter for the year ended June 30, 2022.

RESPONSIBILITY HOUSE, INC.

P.O. BOX 640548 KENNER, LA 70064

www.ResponsibilityHouse.org

February 26, 2024



Wm. Michael Martyn
Executive Director

Louisiana Legislative Auditor

Responsibility House, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
4227 Canal Street
New Orleans, LA 70119

Audit Period: July 1, 2022 – June 30, 2023

The findings from the June 30, 2023 schedule of findings are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Treatment Programs
Office
(504) 367-4234
Fax
(504) 367-4237

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding 2023-001 Noncompliance with Louisiana Audit Law Reporting Requirements

Recommendation: Responsibility House, Inc. should put additional policies and procedures in place to ensure that required annual reports are filed in a timely manner.

Response: Responsibility House, Inc. agrees with the finding and is actively working on rectifying the finding.

If there are any questions regarding this plan, please contact Wm. M. Martyn, Executive Director, at (504) 367-4486.

Supportive Housing
Programs Office
(504) 366-6217
Fax
(504) 366-7642

Administrative
Office
(504) 367-4426
Fax
(504) 367-4486

Sincerely,

Wm. M. Martyn
Executive Director



MANAGEMENT LETTER

February 26, 2024

To the Governing Board and Management of
Responsibility House, Inc.

In planning and performing our audit of the financial statements of Responsibility House, Inc., as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Responsibility House, Inc.'s 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Responsibility House, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Responsibility House, Inc.'s internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 26, 2024, on the financial statements of Responsibility House, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Responsibility House, Inc. personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of this matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Recording of Gifts In-Kind

Responsibility House, Inc. received donated noncash assets during the year ended June 30, 2023. These gifts in-kind were not recorded in the statement of activities at the time of donation. We recommend that all gifts in-kind are recorded at the time of donation at the estimated fair value.

Very truly yours,

Erickson Krentel, LLP
Certified Public Accountants

LOUISIANA LEGISLATIVE AUDITOR
STATEWIDE AGREED-UPON PROCEDURES
RESPONSIBILITY HOUSE, INC.
NEW ORLEANS, LOUISIANA
FOR THE FISCAL PERIOD
JULY 1, 2022 THROUGH JUNE 30, 2023



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Governing Board and Management of
Responsibility House, Inc.
Terrytown, Louisiana

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 July 1, 2022 through June 30, 2023. Responsibility House, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Responsibility House, Inc. 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 July 1, 2022 through June 30, 2023. 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 attached in Schedule "1."

We were engaged by Responsibility House, 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 Responsibility House, 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.

December 28, 2023
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES
JULY 1, 2022 TO JUNE 30, 2023

WRITTEN POLICIES AND PROCEDURES

- 1) **Procedure:** 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:
- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - 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.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - 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).
 - 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 rates of pay or approval and maintenance of pay rate schedules.
 - 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.
 - g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - h) **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).
 - 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.
 - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

- 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.
- l) ***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.

Results: No exceptions were found as a result of applying the procedure.

BOARD OR FINANCE COMMITTEE

- 2) **Procedure:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and.
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe 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.
 - c) 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.
 - d) 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: No exceptions were found as a result of applying the procedure.

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

BANK RECONCILIATIONS

- 3) **Procedure:** 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 written 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
 - c) 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: No exceptions were found as a result of applying the procedure.

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFERS)

- 4) **Procedure:** 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) **Procedure:** 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 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:
- a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) 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.
 - c) 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

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFER) (CONTINUED)

- 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, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- 6) **Procedure:** 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.
- 7) **Procedure:** Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3 (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:
 - 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.

Results: No exceptions were found as a result of applying the procedures.

NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES)

- 8) **Procedure:** 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).

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES) (CONTINUED)

- 9) **Procedure:** For each location selected under procedure #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, then 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 or 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; and
 - e) 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.
- 10) **Procedure:** For each location selected under procedure #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 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
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #9 above, as applicable
- 11) **Procedure:** Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3, 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: No exceptions were found as a result of applying the procedures.

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/PURCHASE CARDS (CARDS)

- 12) **Procedure:** 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.
- 13) **Procedure:** 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 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
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
- 14) **Procedure:** Using the monthly statements or combined statements selected under procedure #13 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: No exceptions were found as a result of applying the procedures.

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS)

- 15) **Procedure:** 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:
- 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).

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS) (CONTINUED)

- 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 Policies and Procedures procedure #1g; and
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of applying the procedure.

CONTRACTS

16) **Procedure:** 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:

- a) 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;
- b) Observe whether 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, the documented approval); and
- 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.

Results: No exceptions were found as a result of applying the procedure.

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

PAYROLL AND PERSONNEL

- 17) **Procedure:** 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.
- 18) **Procedure:** Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #17 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);
 - b) Observe whether 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, and
 - d) Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- 19) **Procedure:** 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.
- 20) **Procedure:** 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: One terminated employee's authorized pay rate in the personnel file was missing. However, the rate was traced to the payroll system and paystubs. No other exceptions were found as a result of applying the procedures.

ETHICS

- 21) **Procedure:** Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17 obtain ethics documentation from management, and
- a) 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

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

ETHICS (CONTINUED)

b) 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.

22) **Procedure:** Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: Not applicable to the Organization as it is a private non-profit.

DEBT SERVICE

23) **Procedure:** 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.

24) **Procedure:** 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: As a private non-profit, the Organization does not need to comply with Article VII, Section 8 of the Louisiana Constitution. No exceptions were found as a result of applying the procedures.

FRAUD NOTICE

25) **Procedure:** 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.

26) **Procedure:** 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: No exceptions were found as a result of applying the procedures.

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

INFORMATION TECHNOLOGY DISASTER RECOVERY/ BUSINESS CONTINUITY

27) **Procedure:** Perform the following procedures:

- a) 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.
- b) 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.
- 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.

28) **Procedure:** Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedure and discussed the results with management.

PREVENTION OF SEXUAL HARASSMENT

29) **Procedure:** Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, 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.

30) **Procedure:** 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).

31) **Procedure:** 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.

- 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;

RESPONSIBILITY HOUSE, INC.
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

PREVENTION OF SEXUAL HARASSMENT (CONTINUED)

- 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.

Results: Not applicable to the Organization as it is a private non-profit.

RESPONSIBILITY HOUSE, INC.

P.O. BOX 640548 KENNER, LA 70064

www.ResponsibilityHouse.org



December 28, 2023

Louisiana Legislative Auditor

Responsibility House, Inc. respectfully submits the following corrective action plan for items identified pursuant to the agreed-upon procedures in accordance with Statewide Agreed Upon Procedures.

Wm. Michael Martyn
Executive Director

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
4227 Canal Street
New Orleans, LA 70119

Engagement Period: July 1, 2022 – June 30, 2023

Treatment Programs
Office
(504) 367-4234
Fax
(504) 367-4237

The exceptions from the statewide agreed-upon procedures report are discussed below:

Payroll and Personnel

Exception: One terminated employee's authorized pay rate in the personnel file was missing. However, the rate was traced to the payroll system and pay stubs.

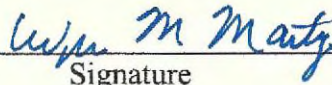
Supportive Housing
Programs Office
(504) 366-6217
Fax
(504) 366-7642

Management's Response to Exceptions: Management has noted and agrees with the above exceptions. Management will consider the effects of such exceptions and the need to enhance key controls or compensating controls in the identified areas.

Administrative
Office
(504) 367-4426
Fax
(504) 367-4486

If there are any questions regarding this plan, please contact Wm. Michael Martyn, Executive Director at (504) 367-4234.

Sincerely,


Signature

EXECUTIVE DIRECTOR

Title