



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Advocates for Innovative Schools, Inc.
(d/b/a Robert Russa Moton Charter School)
New Orleans, Louisiana

Qualified Opinion

We have audited the accompanying financial statements of Advocates for Innovative Schools, Inc. d/b/a Robert Russa Moton Charter School ("the School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the School 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 Qualified Opinion

We did not obtain sufficient, appropriate audit evidence for the amount of accrued expenses recognized for the current fiscal year totaling \$258,279. This amount includes multiple accounts that were not supported by sufficient audit evidence. We were also not able to verify the accrued expenses balance through other audit procedures.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School, 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 qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 the School'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 the School's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head (the schedule) is presented to comply with Act 706 of the 2014 Louisiana Legislative Session and is presented for purposes of additional analysis and is not a required part of the basic 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 April 24, 2024, on our consideration of the School'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 the School'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 the School's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the School's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Luther Speight & Co

Luther Speight & Company CPAs
New Orleans, Louisiana
April 24, 2024

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash - Unrestricted	\$ 1,009,691	\$ 2,679,922
Cash - Restricted	2,422	38,591
Grants Receivable	619,913	991,387
Employee Advances	5,819	-
Prepaid Expense	73,790	69,382
TOTAL ASSETS	<u>\$ 1,711,635</u>	<u>\$ 3,779,282</u>
 LIABILITIES		
Accounts Payable	\$ 401,050	\$ 294,524
Accrued Expenses	258,279	9,411
Funds Held on Behalf of Others	2,422	38,591
TOTAL LIABILITIES	<u>661,751</u>	<u>342,526</u>
 NET ASSETS		
Without Donor Restrictions	<u>1,049,884</u>	<u>3,436,756</u>
TOTAL NET ASSETS	<u>1,049,884</u>	<u>3,436,756</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,711,635</u>	 <u>\$ 3,779,282</u>

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

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
SUPPORT AND REVENUE				
Grants:				
State	\$ 326,940	\$ -	\$ 326,940	\$ 95,240
Federal	745,177	-	745,177	1,977,699
State and Local Minimum Foundation Program	4,000,460	-	4,000,460	3,832,949
Other Income	74,411	-	74,411	66,812
TOTAL SUPPORT AND REVENUE	<u>\$ 5,146,988</u>	<u>\$ -</u>	<u>\$ 5,146,988</u>	<u>\$ 5,972,700</u>
EXPENSES				
Instruction:				
Regular Programs	2,411,464	-	2,411,464	2,820,443
Special Education Programs	420,871	-	420,871	324,257
Other Instructional Programs	264,890	-	264,890	-
Special Programs	282,946	-	282,946	220,758
Total Instruction	<u>3,380,171</u>	<u>-</u>	<u>3,380,171</u>	<u>3,365,458</u>
Supporting Services:				
Pupil Support Services	93,902	-	93,902	6,527
Instructional Staff Services	1,504	-	1,504	1,457
General Administration	332,805	-	332,805	168,386
School Administration	843,990	-	843,990	897,594
Business Services	490,104	-	490,104	320,911
Operation and Maintenance of Plant Services	1,157,173	-	1,157,173	761,758
Student Transportation Services	512,180	-	512,180	275,415
Food Services Operations	6,135	-	6,135	6,840
Total Supporting Services	<u>3,437,793</u>	<u>-</u>	<u>3,437,793</u>	<u>2,438,888</u>
TOTAL EXPENSES	<u>\$ 6,817,964</u>	<u>\$ -</u>	<u>\$ 6,817,964</u>	<u>\$ 5,804,346</u>
Change in Net Assets	(1,670,976)	-	(1,670,976)	168,354
Net Assets Adjustment	(715,896)	-	(715,896)	(130,056)
Net Assets, Beginning of Year	<u>3,436,756</u>	<u>-</u>	<u>3,436,756</u>	<u>3,398,458</u>
NET ASSETS, END OF YEAR	<u>\$ 1,049,884</u>	<u>\$ -</u>	<u>\$ 1,049,884</u>	<u>\$ 3,436,756</u>

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

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>Instructional Programs</u>	<u>Support Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>2023 Total</u>	<u>2022 Total</u>
Salaries and Wages	\$ 1,650,844	\$ 678,483	\$ 2,329,327	\$ 2,261,725
Retirement Contributions	458,661	389,898	848,559	656,690
Other Employee Benefits	36,535	95,947	132,482	106,058
Contract Work	270,400	269,857	540,257	260,843
Accounting	-	125,565	125,565	16,000
Stipends	1,935	-	1,935	179,259
Insurance	71,848	397,925	469,773	397,979
Other Professional Fees	-	87,362	87,362	9,840
Travel Expense	1,563	13,049	14,612	70,545
Materials and Supplies	111,343	19,622	130,965	155,493
Advertising Expense	-	13,392	13,392	13,371
Office Expense	-	305	305	238
Repairs & Maintenance	37,497	347,763	385,260	234,708
Information Technology	66,852	8,857	75,709	26,762
Transportation	15,390	512,180	527,570	325,237
Legal Services	-	43,585	43,585	38,500
Purchased Services	633,825	179,491	813,316	614,735
Equipment Rental	14,702	-	14,702	16,850
Depreciation	-	-	-	1,429
Miscellaneous Expense	8,776	56,734	65,510	132,353
Occupancy	-	197,778	197,778	285,731
Total Expenses	<u>\$ 3,380,171</u>	<u>\$ 3,437,793</u>	<u>\$ 6,817,964</u>	<u>\$ 5,804,346</u>

The accompanying notes are an integral part of the financial statements

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (1,670,976)	\$ 168,354
Net Assets Adjustments	(715,896)	(130,056)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	-	1,429
Net Changes in Assets and Liabilities:		
Increase in Grant Receivables	371,474	(272,333)
Increase in Other Assets	(10,227)	(2,088)
Increase in Accounts Payable	106,526	104,386
Increase/(Decrease) in Accrued Expenses	248,868	(60,857)
Decrease in Funds Held on Behalf of Others	(36,169)	(15,454)
Increase/(Decrease) in Other Current Liabilities	-	(19,343)
Total Adjustments	<u>680,472</u>	<u>(264,260)</u>
Net Cash Used by Operating Activities	<u>(1,706,400)</u>	<u>(225,962)</u>
Net Decrease in Cash and Cash Equivalents	(1,706,400)	(225,962)
Cash and Cash Equivalents - Beginning of Year	<u>2,718,513</u>	<u>2,944,475</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,012,113</u></u>	<u><u>\$ 2,718,513</u></u>

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

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Advocates for Innovative Schools, Inc. d/b/a Robert Russa Moton Charter School (the School) was organized as a non-profit corporation under the laws of the State of Louisiana on February 20, 2006. The School entered into an Operating Agreement with Orleans Parish School Board (OPSB) effective June 1, 2006, whereby the School would operate a Type III charter school as defined in LSA R.S. 17:3973(3)(b). The charter was granted for a minimum of five (5) years, with the fifth year in operation concluding June 30, 2011. The charter was renewed for an additional six years effective July 1, 2011 and July 1, 2017 for four (4) years expiring on June 30, 2021. Commencing on July 1, 2021, the agreement was renewed for an additional three years expiring on June 30, 2024.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, they reflect revenues and related receivables when earned rather than when received and expenses and related payables when incurred rather than when paid.

Basis of Presentation

The financial statement presentation follows the recommendations of the FASB ASC 958-210, *Not-For-Profit Entities*. Under ASC 958-210, the School may report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Below is a description of the 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 the School. The School's board may designate assets without restrictions for specific operational purposes from time to time. All of the School's net assets at June 30, 2023 were classified as without donor restrictions.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of June 30, 2023, the School had no net assets with donor restrictions.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the School considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. The School had no cash equivalents at June 30, 2023 and 2022.

Grants Receivable

The grants receivable is stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

Property and Equipment

Capital assets, which include property and equipment, are reported at historical cost or estimated cost. Donations of property and equipment are recorded as contributions at their estimated fair value. The School does not have an official dollar threshold for capitalizing property and equipment and instead analyzes purchases on a case-by-case basis. Repairs and maintenance and small equipment purchases are charged to expense when incurred.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is provided utilizing the straight-line method over estimated useful lives of the asset. Useful lives vary from 3 to 7 years for property and equipment.

Concentration of Credit

The School maintains cash balances in two financial institutions located in Louisiana which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The School had \$921,379 and \$2,614,572 in excess of the insured limits in one bank at June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of providing the program services and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied.

When possible, expenses are first allocated by direct identification and then by allocation if an expenditure benefits more than one program or function. The expenses that are allocated are allocated on the basis of estimates of time and effort. There were no such allocated expenses during the year ended June 30, 2023.

Income Taxes

Income taxes are not provided for in the financial statements since the School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as revenue with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional contributions are recognized when the barriers to entitlement are overcome and the promises become unconditional. Unconditional contributions are recognized as revenue when received. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Recent Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) that extended the effective date for certain entities, including the School, to annual periods beginning after December 15, 2021. During the year ended June 30, 2023, the School adopted ASU No. 2016-02. See Note 9 for the required disclosures.

On September 17, 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update is expected to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires additional disclosures. The ASU is applicable for periods beginning after June 15, 2021. During the year ended June 30, 2022, the School adopted ASU No. 2020-07. However, the School did not receive any contributed nonfinancial assets during the years ended June 30, 2023 and 2022, so no changes to the financial statements were necessary.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The School is substantially supported by grants and donations on an unrestricted and restricted basis. Because a grantor or donor's restrictions requires resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its grantors and donors. Thus, financial assets may not be available for general expenditures within one year. As part of the School's liquidity management, management has established a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management established guidelines for making decisions related to managing short-term cash reserves and other investments in a prudent manner. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, include the following:

	<u>2023</u>	<u>2022</u>
Cash - Unrestricted	\$ 1,009,691	\$ 2,679,922
Grants Receivable	619,913	991,387
	<u>1,629,604</u>	<u>3,671,309</u>
Less Net Assets With Donor Restrictions	<u>-</u>	<u>-</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,629,604</u>	<u>\$ 3,671,309</u>

NOTE 3 – GRANTS RECEIVABLE

Grants receivable are deemed to be fully collectible by management as of June 30, 2023 and 2022. Outstanding grants receivable consisted of the following at June 30, 2023 and 2022:

<u>Program</u>	<u>2023</u>	<u>2022</u>
Title I Grant	214,464	17,427
Title IV Grant	846	-
LA-4 Federal Grant	3,122	3,544
LA-4 State Grant	89,164	8,672
Elementary and Secondary School Emergency Relief (ESSER) II	-	149,221
Elementary and Secondary School Emergency Relief (ESSER) III	312,317	812,523
Total Grants Receivable	<u>\$ 619,913</u>	<u>\$ 991,387</u>

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 – COMPENSATED ABSENCES

All full-time employees earn paid leave at various rates based on employment classification. The earned leave may be used in the event of their own illness, a family illness, bereavement, or for personal business. Employees do not have the right to carryover paid leave days at the end of the fiscal year. Employees are paid for any accrued unpaid leave at the end of the fiscal year, or upon an employee's separation from employment.

NOTE 5 – PROPERTY AND EQUIPMENT

Equipment totaling \$10,000 became fully depreciated during the year ended June 30, 2022. No depreciation expense was recorded for the year ended June 30, 2023.

NOTE 6 – FUNDS HELD ON BEHALF OF OTHERS

The School acts as a custodian for student activity accounts. Funds held on behalf of these groups amounted to \$2,422 at June 30, 2023, and is reported as both an asset (restricted cash) and a liability (Funds held on behalf of others). Consequently, there is no effect on the School's net assets.

NOTE 7 – PUBLIC SUPPORT AND REVENUE

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the state of Louisiana and the Orleans Parish School Board. The School received \$1,558,838 from the State and \$2,441,621 from the Orleans Parish School Board per eligible student at the official pupil count date of October 1, 2022, payable in monthly installments. State and Federal grants are on a cost reimbursement basis.

NOTE 8 – RISK MANAGEMENT AND UNCERTAINTIES

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. During the year ended June 30, 2023, an unidentified person fraudulently wrote 16 checks totaling \$56,125 across two different bank accounts. The School reported the incidents to the police, but the case has not been resolved. The School received refunds from one of the banks totaling \$32,877, but they are still waiting on the second bank for the remaining amounts.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – SCHOOL FACILITIES OPERATING LEASE

Effective July 1, 2017 the School entered into an agreement with the Orleans Parish School Board, which allows the School to use the facilities and its contents located at 8550 Curran Boulevard, New Orleans, Louisiana, or any other locations as may be approved by the School and the OPSB. The agreement expired on June 30, 2021 and was renewed on July 1, 2021 for an additional three years expiring on June 30, 2024. For the use of the facilities, the School reimburses property insurance costs to OPSB. The School paid OPSB \$65,998 and \$69,218, for the years ended June 30, 2023 and 2022, respectively.

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules. Improvements made to the facilities become property of OPSB.

Use of the property is not recorded as an in-kind contribution from the OPSB, nor as a related rent expense. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

NOTE 10 – RETIREMENT PLAN

Substantially all employees of the School are members of the Teachers' Retirement System of Louisiana (TRSL). This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan is as follows:

Teachers' Retirement System of Louisiana (TRSL)

Plan Description - The TRSL consists of three membership plans: Regular Plan, Plan A, and Plan B. The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary. The School is required to contribute at an actuarially determined rate. The current rate is 25.8% of annual covered payroll for the year ended June 30, 2023. Member contributions and employer contributions for the TRSL are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. The School's contributions to the TRSL for the year ended June 30, 2023 and 2022 was \$848,559 and \$656,690, respectively, which is equal to the required contributions for the year.

NOTE 11 – RELATED PARTY TRANSACTIONS

The School entered into a professional service contract with a company, Generation Success, to operate and provide a unique educational program for six weeks of the summer, June 7, 2021 through July 30, 2021, at the School. The Executive Assistant to the Chief Executive Officer of the School is on file with the Louisiana Secretary of State as an Officer of the company, Generation Success. The total amount of the contract was \$42,500. The final 50% of the contract was paid during the year ended June 30, 2022. There were no transactions with Generation Success during the year ended June 30, 2023.

NOTE 12 – BOARD OF DIRECTORS' COMPENSATION

The members of the Board of Directors serve in a voluntary capacity; therefore, no compensation was paid to any board member during the years ended June 30, 2023 and 2022.

NOTE 13 – NET ASSETS ADJUSTMENT

Management determined a net assets adjustment totaling (\$715,896) was necessary to properly state beginning net assets. The adjustment pertained to prior year audit adjustments that were not recorded.

NOTE 14 – SUBSEQUENT EVENTS

In December 2023, the Orleans Parish School Board accepted the recommendation of the NOLA Public Schools Superintendent to terminate the charter for the School. At the end of the 2023-2024 school year, the School will be taken over by a new charter and remain open for the 2024-2025 school year. Management evaluated subsequent events as of April 24, 2023, which is the date these financial statements were available to be issued. Management has noted that there are no additional disclosures or adjustments to these financial statements required.



Luther Speight & Company, LLC
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Advocates for Innovative Schools, Inc.
(d/b/a Robert Russa Moton Charter School)
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Advocates for Innovative Schools, Inc. d/b/a Robert Russa Moton Charter School ("the School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2024.

Report on Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings #2023-004 and #2023-006 to be material weaknesses.

New Orleans Office: 1100 Poydras Street, Suite 1225/New Orleans, LA 70163/ (504)561-8600

Memphis Office: 1661 International Drive, Suite 441/Memphis, TN 38120/ (901)202-4688

Atlanta Office: 1201 Peachtree St. NE, Suite 200-363/Atlanta, GA 30328/ (678)971-3700

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings #2023-001 and #2023-002 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings #2023-003 and #2023-005.

The School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School'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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Luther Speight & Co

Luther Speight & Company CPAs
New Orleans, Louisiana
April 24, 2024

**ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified? X yes no

Significant deficiencies identified
not considered to be material weaknesses? X yes no

Noncompliance material to financial statements noted? X yes no

Federal Awards

Not applicable

**ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023**

Section II – Financial Statement Findings

**FINDING #2023-001 – PAYROLL ADMINISTRATION OF TIME AND ATTENDANCE
– SIGNIFICANT DEFICIENCY – (ORIGINATED IN 2021)**

CRITERIA:

The School’s policies and procedures require that payroll transactions are properly documented and no employee shall be paid for work performed until the time they have worked is correctly documented and approved.

CONDITION:

During our audit of the School’s payroll time and attendance documents for twenty-five (25) payroll transactions selected, we noted the School did not provide time and attendance reports for twelve (12) employees to support the hours worked during the pay periods selected. Of the time and attendance reports provided, the number of hours worked per the payroll register did not match the time and attendance reports, or the time attendance report provided did not cover the whole pay period, for thirteen (13) employees.

CAUSE:

The School did not enforce its own policies and procedures to ensure that payroll transactions were properly documented.

EFFECT:

Failure to ensure compliance with established payroll procedures could result in misappropriation and improper payments without timely detection.

RECOMMENDATION:

The School should intensify all efforts to ensure all employee time and attendance documents are processed in accordance with the current policies and procedures.

MANAGEMENT RESPONSE:

Management is in agreement with the Recommendation of the external auditor. We plan to engage an alternative payroll provider that has an integrated system that will manage time and attendance, timekeeping, and payroll processing which will eliminate manual errors and capture an audit trail of time approval and leave requests. Administrators will intensify all monitoring efforts to ensure all employee time and attendance documents are processed in accordance with the current policies and procedures.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023

**FINDING #2023-002 – SEGREGATION OF PAYROLL PROCESSING DUTIES -
SIGNIFICANT DEFICIENCY – (ORIGINATED IN 2022)**

CRITERIA:

Proper segregation of duties related to payroll functions should be implemented to mitigate errors and irregularities that might not be timely identified by management.

CONDITION:

During our audit of the payroll function, we noted the following inadequate segregation of duties:

- The Chief Financial Officer has the ability to add employees and change employee payroll information with the outside payroll processing vendor.
- The Chief Financial Officer receives, reviews, approves and maintains on file all payroll reports from the outside payroll processing vendor.
- The Chief Financial Officer records all payroll transactions to the accounting system and receives, reconciles, and maintains the filing of all the School's bank accounts, with no indication of review by an employee independent of this function.

CAUSE:

The School has not sufficiently assigned responsibilities of the payroll process to ensure proper segregation of duties and independent review and oversight by an employee not performing these functions.

EFFECT:

The failure to properly segregate payroll processing functions increases the risk of errors and risk of misappropriation of the School's assets.

RECOMMENDATION:

We recommend that the School properly segregate payroll functions and ensure timely independent review of payroll reports received from the outside payroll processing vendor, and payroll bank reconciliations prepared by the Chief Financial Officer.

MANAGEMENT RESPONSE:

Management is in agreement with the Recommendation of the external auditor. We will engage an alternative payroll provider that will perform the payroll processing function along with time being reviewed and approved by principal and CEO as well as the CFO reviewing the overall cash requirement to process payroll.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023

**FINDING #2023-003 – TIMELY SUBMISSION OF ANNUAL AUDIT REPORT –
NONCOMPLIANCE – (ORIGINATED IN 2022)**

CRITERIA:

Louisiana State Statute 2:511 – 2:559, Louisiana Audit Law, states that quasi-public entities with more than \$500,000 in revenue must submit their audited annual financial reports to the Louisiana Legislative Auditor (LLA) within six (6) months of the close of the auditee’s fiscal year.

CONDITION:

The School did not remit the annual audited financial statements to the Louisiana Legislative Auditor within six months of their year-end. A non-emergency extension for filing the audit report was granted by the Legislative Auditor. The non-emergency extension requires a late audit finding to be included in the report.

CAUSE:

The School had delays in providing key data for the audit, Statewide Agreed-Upon procedures, and Performance Measures Agreed-Upon Procedures due to turnover in a key position that contributed to the late submission of the School’s audit report.

EFFECT:

The School was not in compliance with certain provisions of the Louisiana Audit Law referenced above regarding timely submissions.

RECOMMENDATION:

The School should implement policies and procedures to ensure timely submission of its independent audit report to the Legislative Auditor.

MANAGEMENT RESPONSE:

Management is in agreement with the Recommendation of the external auditor. We plan to engage the auditors, as of 6/30/24, with an audit start date no later than July 31, 2024.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023

FINDING #2023-004 – GENERAL ACCOUNTING AND CONTROL PROCEDURES
NOT ADEQUATE – MATERIAL WEAKNESS - (ORIGINATED IN 2023)

CRITERIA:

The School should reconcile all material balances to supporting schedules or subsidiary ledgers. Also, the School should maintain accurate records to support all transactions to ensure adequate accounting and internal controls.

CONDITION:

General accounting procedures were not adequate to support the timely and accurate preparation of financial statements in accordance with generally accepted accounting principles. In addition, certain transactions were reported that did not have supporting documentation. In many instances the general accounting and financial statements were retroactively prepared. General accounting deficiencies noted were as follows:

- a) The Grants Receivable balance at June 30, 2023 totaling \$1,174,028 includes the entire prior year receivable balance of \$991,387. The School received payment for some of the invoices in the prior year balance, but the current year balance was not adjusted for those payments. In addition, through subsequent receipts testing, it was noted the School did not record receivable balances for cost reimbursement grants where the costs were incurred prior to year-end. The accounts receivable aging detail also included numerous negative balances, so the transactions are not being recorded in the accounting software properly. This resulted in a significant audit adjustment to correct the balance.
- b) The unadjusted Accounts Payable balance totaling \$561,793 included a \$190,950 balance which represents fiscal 2022 audit adjusting entries. It was noted that the majority of the invoices included in that entry were paid during fiscal 2023; however, the School did not adjust the accounts payable balance for those payments and the expense has been recorded twice. This resulted in an audit adjustment to correct the Accounts Payable balance.
- c) Accrued Expenses totaling \$258,279 include certain accounts that were not accurately supported. In addition, out of 20 total individual accounts, 11 of them have a debit balance.
- d) Revenue recording procedures were not adequate. We tested a sample of 21 transactions totaling \$1,026,586 and noted 5 transactions totaling \$460,763 were not recorded in the proper period. In addition, we were not provided with any support for 5 revenue transactions totaling \$187,226. This resulted in an audit adjustment to correct revenues.

**ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023**

**FINDING #2023-004 – GENERAL ACCOUNTING AND CONTROL PROCEDURES
NOT ADEQUATE – MATERIAL WEAKNESS - (ORIGINATED IN 2023) -
CONTINUED**

CAUSE:

The School had turnover in a key accounting position and certain accounts were not properly reconciled at year-end.

EFFECT:

The financial statements were inaccurate and resulted in audit adjustments and a qualified audit opinion.

RECOMMENDATION:

The School should implement policies and procedures to ensure proper reconciliation of all accounts on a monthly basis.

MANAGEMENT RESPONSE:

Management is in agreement with the Recommendation of the external auditor.

**FINDING #2023-005 – REPORTING OF FRAUDULENT ACTIVITY IN BANK
ACCOUNTS – NONCOMPLIANCE – (ORIGINATED IN 2023)**

CRITERIA:

Per Louisiana Revised Statute (R.S.) 24:523, an agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. Additionally, the Louisiana Legislative Auditor requires certain information to be included in the local auditee report that includes any instances of fraud or misappropriations that are \$1,000 or greater.

**ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023**

FINDING #2023-005 – REPORTING OF FRAUDULENT ACTIVITY IN BANK ACCOUNTS – CONTINUED

CONDITION:

During the year ended June 30, 2023, a total of 16 fraudulent checks between two banks totaling \$56,125 were issued across the span of five months (October 2022 through February 2023). The School contacted law enforcement to report the fraudulent activity, but did not contact the Legislative Auditor of Louisiana (LLA) or District Attorney with a written notification. Additionally, the following table presents the information required by the LLA:

#	ELEMENT OF FINDING	RESPONSE
1	A general statement describing the fraud or misappropriation that occurred.	An individual created 16 fake checks totaling \$56,125.34 from two bank accounts using the School's bank account numbers and a fake signature. The checks cleared the banks over a period of five months.
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Cash from two bank accounts
3	The amount of funds or approximate value of assets involved.	\$56,125.34
4	The department or office in which the fraud or misappropriation occurred.	The School's finance department.
5	The period of time over which the fraud or misappropriation occurred.	October 2022 through February 2023
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	Unknown
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	Unknown
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	It is believed that the perpetrator of the fraudulent activity was not employed by the School.

**ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023**

FINDING #2023-005 – REPORTING OF FRAUDULENT ACTIVITY IN BANK ACCOUNTS – CONTINUED

#	ELEMENT OF FINDING	RESPONSE
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	N/A
10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	Yes
11	What is the status of the investigation at the date of the auditor's/accountant's report?	The investigation is still ongoing.
12	If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?	The investigation is not complete.
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	The investigation is still ongoing and there has been no resolution yet.
14	Has restitution been made or has an insurance claim been filed?	One of the banks has refunded the money in the total of \$32,876.77. The remaining \$23,248.57 has not been refunded by the other bank.
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	No
16	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	No

**ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023**

FINDING #2023-005 – REPORTING OF FRAUDULENT ACTIVITY IN BANK ACCOUNTS – CONTINUED

#	ELEMENT OF FINDING	RESPONSE
17	If the answer to the last question is “no,” describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	The bank reconciliations were not being performed on the accounts in a timely manner.
18	Management’s plan to ensure that the fraud or misappropriation does not occur in the future	Bank accounts are reconciled and reviewed on a monthly basis. In addition, for one of the banks, the Business Manager or CEO has to verify checks that are sent through the account before the Bank pays the checks.

CAUSE:

We were unable to determine the cause of the fraudulent activity. The School was unaware of the reporting requirements of the LLA.

EFFECT:

The School had \$56,125.34 of cash misappropriated and is not in compliance with the LLA fraud reporting requirements.

RECOMMENDATION:

The School should update their financial policies and procedures to include the required reporting and notifications should future fraudulent activity occur. In addition, bank reconciliations should be performed on a monthly basis.

MANAGEMENT RESPONSE:

Management is in agreement with the Recommendation of the external auditor and will update our financial policies and procedures to include the required reporting and notifications should future fraudulent activity occur. This happened during the time we experienced turnover in a key accounting position. Currently, we have hired a contracted, external finance manager. With the assistance of the new contracted, external finance manager, we have put in place procedures to ensure that bank reconciliations are performed on a monthly basis.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023

FINDING #2023-006 – BANK RECONCILIATION PROCEDURES NOT ADEQUATE – MATERIAL WEAKNESS – (ORIGINATED IN 2023)

CRITERIA:

The Louisiana Legislative Auditor’s Best Practices states that written policies and procedures over bank reconciliations should include controls over preparation and review. This should include the following:

1. The entity should appoint a bank reconciliation “preparer” who is not involved in processing cash receipts or disbursements, including recording these transactions in the accounting records.
2. The preparer should receive the bank statements unopened directly from the bank and prepare a reconciliation between the bank balances and the accounting records within 30 days. State law allows for 30 days to examine bank statements and canceled checks for unauthorized signatures or alterations. After 30 days, the entity is precluded from asserting a claim against the bank for unauthorized signatures or alterations.
3. As part of the reconciliation, the preparer should consider whether (1) all receipts and disbursements are recorded by the entity; (2) checks are clearing the bank in a reasonable time; (3) reconciling items are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger balance. Any differences between the bank balances and accounting records (e.g., deposits not clearing the bank, unusual disbursements or transfers) should be immediately researched and resolved. Any adjustments to the accounting records should be recorded by someone other than the employee performing the bank reconciliation.
4. The preparer should also research reconciling items that are outstanding for more than six months to determine if the checks need to be voided and reissued or whether the funds need to be submitted to the State Treasurer in compliance with unclaimed property laws.
5. Once the reconciliation is prepared, the preparer should sign/initial and date (or electronically log completion).
6. The completed bank reconciliation, bank statement, and supporting documentation should be immediately reviewed by a designated official who is knowledgeable about the entity’s operations but does not handle cash, post ledgers, or prepare checks.
7. Once the reconciliation is reviewed, the reviewer should sign/initial and date (or electronically log completion).

**ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023**

**FINDING #2023-006 – BANK RECONCILIATION PROCEDURES NOT ADEQUATE --
CONTINUED**

CONDITION:

During our review of bank reconciliations as part of the audit and Statewide Agreed Upon Procedures, we noted the following:

1. We were provided bank reconciliations in spreadsheet form so we were unable to determine when they were prepared or if they were reviewed by management.
2. The outstanding checks on the bank reconciliations did not include dates, so we were unable to determine the age of the reconciling items and if the School researched reconciling items aged over 6 months.
3. A total of 16 fraudulent checks between two banks totaling \$56,125 were misappropriated across the span of five months (October 2022 through February 2023). During that time period, the fraudulent checks were not discovered. It did not appear the School was preparing monthly bank reconciliations during that time period.

CAUSE:

The School had turnover in a key accounting position during the year and monthly bank reconciliations were not prepared until later in the fiscal year.

EFFECT:

The School lost \$56,125 through theft. It was noted that \$32,877 has been refunded by one of the banks, but the remaining amount is still outstanding.

RECOMMENDATION:

The School should update their financial policies and procedures to ensure that monthly bank reconciliations are prepared and then reviewed by management.

MANAGEMENT RESPONSE:

Management is in agreement with the Recommendation of the external auditor. This happened during the time we experienced turnover in a key accounting position. Currently, we have hired a contracted, external finance manager. With the assistance of the new contracted, external finance manager, we have put in place procedures to ensure that bank reconciliations are performed on a monthly basis.

**ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
JUNE 30, 2023**

Section III – Federal Awards Findings and Questioned Costs

The School did not expend more than \$750,000 in federal funds during the year ended June 30, 2023. This section is not applicable.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2023

Finding #	Finding	Resolved/Unresolved
2022-001	Payroll Administration of Time and Attendance	Unresolved
2022-002	Segregation of Payroll Processing Duties	Unresolved
2022-003	Timely Submission of Annual Audit Report	Unresolved

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT RUSSA MOTON CHARTER SCHOOL)
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2023

Agency Head: John McCrary, CEO

Purpose	Amount
Salary	171,077
Benefits- Insurance	19,996
Benefits- Retirement	42,444
Benefits- Medicare	2,319
Benefits - Worker's Comp	-
Benefits- Unemployment	184
Cell Phone and iPad Dues	-
Uniforms	-
Per Diem	-
Travel	-
Reimbursements	-
Fuel Usage	-
Conference Travel	-
Continuing Professional Education Fees	-
Housing	-
Unvouchered Expenses	-
Special Meals	-



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES - PERFORMANCE AND STATISTICAL DATA**

To the Board of Directors of
Advocates for Innovative Schools, Inc.
(d/b/a Robert Russa Moton Charter School),
the Louisiana Department of Education, and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of Advocates for Innovative Schools, Inc. d/b/a Robert Russa Moton Charter School ("the School") for the fiscal year ended June 30, 2023; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514 I. Management of the School is responsible for its performance and statistical data.

The School 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 performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
(Schedule I)**

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:

New Orleans Office: 1100 Poydras Street, Suite 1225/New Orleans, LA 70163/ (504)561-8600
Memphis Office: 1661 International Drive, Suite 441/Memphis, TN 38120/ (901)202-4688
Atlanta Office: 1201 Peachtree St. NE, Suite 200-363/Atlanta, GA 30328/ (678)971-3700

- Total General Fund Instructional Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue
- Nonpublic Transportation Revenue

Findings: Based upon our examination of the supporting documentation, we noted no exceptions in our sample.

Class Size Characteristics (Schedule II)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1st roll books for those classes and observed that the class was properly classified on the schedule.

Findings: We were not provided a detailed list of classes, so we were unable to choose a sample of 10 classes. We were only provided a summary of classes by type.

Education Levels/Experience of Public School Staff (NO SCHEDULE)

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

Findings: Based upon our examination of the supporting documents, we noted no exceptions in our sample.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Findings: Based upon our examination of the supporting documents, we noted exceptions on salaries for twenty-one (21) out of the twenty-five (25) employees in our sample.

We were engaged by the School 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 the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. 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 the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the School 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 the performance and statistical data accompanying the annual financial statements of the School, as required by Louisiana Revised Statute 24:514.I, 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 Louisiana Legislative Auditor as a public document.

Luther Speight & Co

Luther Speight & Company CPAs
New Orleans, Louisiana
April 24, 2024

Advocates for Innovative Schools, Inc.
(d/b/a Robert Russa Moton Charter School)
New Orleans, Louisiana
Schedules Required by State Law
(R.S. 24:514 – Performance and Statistical Data)
As of and for the Year Ended June 30, 2023

Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 (Formerly Schedule 6) Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(d/b/a Robert Russa Moton Charter School)
New Orleans, Louisiana

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2023**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 383,268	
Other Instructional Staff Activities	2,759	
Instructional Staff Employee Benefits	173,250	
Purchased Professional and Technical Services	276,456	
Instructional Materials and Supplies	48,723	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	-	\$ 884,456
Other Instructional Activities		-
Pupil Support Services	9,674	
Less: Equipment for Pupil Support Services	-	
Net Pupil Support Services		9,674
Instructional Staff Services	1,180	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		1,180
School Administration	1,068,139	
Less: Equipment for School Administration	-	
Net School Administration		1,068,139
Total General Fund Instructional Expenditures (Total of Column B)		\$ 1,963,449

Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000) -

Certain Local Revenue Sources

Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		-
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-
Sales and Use Taxes		-
Total Local Taxation Revenue		-
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		-
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		-
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax		-
Revenue Sharing - Other Taxes		-
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		-
Nonpublic Textbook Revenue		-
Nonpublic Transportation Revenue		\$ -

See independent accountant's report on applying agreed-upon procedures

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(d/b/a Robert Russa Moton Charter School)
New Orleans, Louisiana

Class Size Characteristics
As of October 1, 2022

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	67.6%	75	28.8%	32	3.6%	4		
Elementary Activity Classes	81.5%	22	3.7%	1			14.8%	4
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

ADVOCATES FOR INNOVATIVE SCHOOLS, INC.
(D/B/A ROBERT MUSSA MOTON CHARTER SCHOOL)
STATEWIDE AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED JUNE 30, 2023



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of
Advocates for Innovative Schools, Inc.
(d/b/a Robert Russa Moton Charter School)
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Advocates for Innovative Schools, Inc. (d/b/a Robert Russa Moton Charter School (the entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

Results: *The written policies and procedures appropriately address the required elements above.*

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.

Results: *The written policies and procedures appropriately address the required elements above.*

New Orleans Office: 1100 Poydras Street, Suite 1225/New Orleans, LA 70163/ (504)561-8600
Memphis Office: 1661 International Drive, Suite 441/Memphis, TN 38120/ (901)202-4688
Atlanta Office: 1201 Peachtree St. NE, Suite 200-363/Atlanta, GA 30328/ (678)971-3700

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

Results: The written policies and procedures appropriately address the required elements above.

- 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).

Results: The written policies and procedures appropriately address the required elements above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: The written policies and procedures appropriately address the required elements above.

- 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

Results: The PBC Financial Manual Draft and Employee Handbook do not address the types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring processes.

Management's Response: Management will request guidelines from our attorneys to improve the process for inclusion in the employee handbook.

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

Results: The written policies and procedures appropriately address the required elements above.

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

Results: The written policies and procedures appropriately address the required elements above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Results: *Not applicable, as the Entity is a nonprofit.*

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

Results: *Not applicable, as the Entity is a nonprofit.*

- k) **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.

Results: *The PBC Financial Manual Draft and Employee Handbook do not address identification of critical data and frequency of data backups, storage of backups in a separate physical location isolated from the network, periodic testing/verification that backups can be restored, use of antivirus software on all systems, timely application of all available system and software patches/updates, and identification of personnel, processes, and tools needed to recover operations after a critical event.*

Management's Response: *Management will be following Orleans Public School Board policy for backups, storage, etc. for inclusion in the handbook.*

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

Results: *Not applicable, as the Entity is a nonprofit.*

Board or Finance Committee

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

Results: *The board committee meets monthly.*

- 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. *Alternately, for those entities reporting on the nonprofit 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.*

Results: *The board committee appropriately meets the required elements above.*

- 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.

Results: *Not applicable, as no unassigned fund balance in the general fund was observed in prior year audit report.*

Bank Reconciliations

- 3. Obtain a listing of client 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 selected each account, and observe that:

Results: *We obtained a listing of bank accounts and management's representation that the listing was complete. We selected the month of June 2023 for the testing below.*

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Results: *We noted that the Entity has three bank accounts. The bank and book balances properly reconciled for all accounts with no reconciling items noted. There is no evidence that any reconciliations were prepared within 2 months of the statement closing date.*

Management's Response: This happened during the time we experienced turnover in a key accounting position. Currently, we have hired a contracted, external finance manager. With their assistance, reconciliations will be properly prepared as required.

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

Results: *All bank reconciliations observed did not include proper evidence of management approval.*

Management's Response: Management will review and approve all completed bank reconciliations and supporting documentation. Management will sign/initial and date bank reconciliations (or electronically log completion).

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

Results: *We could not determine if any reconciling items were outstanding for more than 12 months, as the bank reconciliations provided did not include check dates.*

Management's Response: This happened during the time we experienced turnover in a key accounting position. Currently, we have hired a contracted, external finance manager. With their assistance, bank reconciliations will be timely and properly dated.

Collections

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

Results: *Per management, the deposit site is Moton Charter School located at 8550 Curran Blvd, New Orleans, LA, 70127. Deposits are prepared in the Business Manager's office, the Finance Officer's office, and the Principal's office.*

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: *Per management, collections are made by teachers in the classroom based on the student activity. Collections are counted by two designated parties. Collection logs are created and submitted to the principal for approval. The Principal turns in funds to Finance (Business Manager or Finance Officer) for deposit in safe or bank deposit.*

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Results: Entity provided a copy of a bond or insurance policy for theft, and we observed that the policy was enforced during the current fiscal period.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered. –
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe 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: We selected two deposit dates each for all accounts listed and performed the procedures above. We noted no exceptions.

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

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: All payments are processed in the Business Manager’s office or the Finance Officer’s office at Moton Charter School located at 8550 Curran Blvd, New Orleans LA 70127.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: We obtained a listing of the employees involved and the written policies and procedures relating to employee job duties at the location mentioned above and observed that the job duties are properly segregated among the Principal, CEO, Business Manager, and Finance Officer.

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

Results: We tested the non-payroll disbursements and found no exceptions.

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

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

Results: We obtained a listing of all active cards, which consisted of only credit cards, and management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Results: We noted that the credit card statements were reviewed and approved by someone other than the authorized card holder, but they were not physically or electronically signed.

Management's Response: The credit card statements were reviewed and approved by the treasurer. The credit card statements were approved by the board. Additionally, all credit cards statements will be physically or electronically signed.

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

Results: We reviewed the selected statements and noted that finance charges were assessed for several months.

Management's Response: This happened during the time we experienced turnover in a key accounting position. Currently, we have hired a contracted, external finance manager. With the assistance of the new contracted, external finance manager, we will put in place procedures to process payables to avoid finance charges.

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

Results: We haphazardly selected transactions from all available credit cards. However, we did not receive the transaction support required to adequately perform testing.

Management's Response: All documentation that was readily available was submitted.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe 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).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We selected and tested 5 reimbursements from the Entity. 4 of the reimbursements satisfy each requirement above and we noted no exceptions. The Entity did not provide supporting documentation for one transaction.

Management's Response: All documentation that was readily available was submitted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Results: We noted only one of the five selected contracts was bid in accordance with Louisiana Public Bid Law. The remaining 4 contracts were not subject to the public bid 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).

Results: We noted contracts were approved by the governing board.

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

Results: We noted no contract amendments.

- 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 the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions noted.

Payroll and Personnel

- 16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: We selected a sample of 5 employees and agreed paid salaries to authorized salaries/pay rates in the personnel files.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: We selected a sample of 5 employees and noted that daily attendance was documented, but it was not properly authorized by management. There was no leave taken or accrued during the pay period. We were unable to agree 4 of the 5 paid salaries to authorized salaries/pay rates in the personnel files.

Management's Response: This is a responsibility of the principal and designated administrators. For more accountability, we will implement closer monitoring, oversight, and reviews for verification during each pay period.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Results: LSC did not receive documentation regarding terminated employees and was unable to verify the required procedures,

Management's Response: Documentation is in the Board files on personnel action reports.

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

Results: All employer and employee portions of third-party payroll and related amounts have been paid, and any associated forms have been filed by the required deadlines.

Ethics

Results: Not applicable, as the Entity is a nonprofit.

Debt Service

Results: Not applicable, as the Entity is a nonprofit.

Fraud Notice

20. 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.

Results: We obtained a listing of the fraud transactions that occurred in the fiscal year. The Entity reported the fraud to the bank and police, but there is no evidence that the Entity reported the fraud to the legislative auditor.

Management's Response: We were unaware that it was required to report the fraud transaction to the legislative auditor.

21. 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: We noted the Entity has the required notice posted on its website.

Information Technology Disaster Recovery/Business Continuity

22. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Results: The Entity did not provide evidence of backups of critical data. We were unable to perform the procedure above.

Management's Response: Rapid Scale technicians were not available to provide the information within the timeframe requested.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Results: *The Entity did not provide documentation verifying that backups can be restored. We were unable to perform the procedure above.*

Management's Response: *Rapid Scale technicians were not available to provide the information within the timeframe requested.*

- 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.

Results: *The Entity did not provide a listing of the Entity's computers currently in use along with their locations. We were unable to perform the procedure above.*

Management's Response: *The information on computers was available from our IT technicians.*

Sexual Harassment

Results: *Not applicable, as the Entity is a nonprofit.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Luther Speight & Co

Luther Speight & Company CPAs
New Orleans, Louisiana
April 24, 2024