

The Arc Rapides, Inc.

Alexandria, Louisiana

June 30, 2023

The Arc Rapides, Inc.

June 30, 2023

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

To the Board of Directors
The Arc Rapides, Inc.
Alexandria, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Arc Rapides, Inc. (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, the financial statements present fairly, in all material respects, the financial position of The Arc Rapides, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors
The Arc Rapides, Inc.
Alexandria, Louisiana

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 Arc Rapides, Inc.'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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 Arc Rapides, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc Rapides, Inc.'s ability to continue as a going concern for a reasonable period of time.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors
The Arc Rapides, Inc.
Alexandria, Louisiana

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to the agency head or chief executive officer is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 schedule of compensation, benefits and other payments to the agency head or chief executive officer 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 November 6, 2023, on our consideration of The Arc Rapides, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Arc Rapides, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arc Rapides, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Payne, Moore & Herrington, LLP".

Certified Public Accountants
Alexandria, Louisiana

November 6, 2023

The Arc Rapides, Inc.
Statement of Financial Position
June 30, 2023

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 770,062	\$ -	\$ 770,062
Certificates of deposit	801,424	-	801,424
Grants and accounts receivable, net	411,364	616,394	1,027,758
Investments	443,859	-	443,859
Accrued interest	85	-	85
Prepaid expenses	14,612	-	14,612
Other current assets	4,206	-	4,206
Property, plant, and equipment, net	1,125,264	-	1,125,264
Total Assets	\$ 3,570,876	\$ 616,394	\$ 4,187,270
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 98,913	\$ -	\$ 98,913
Accrued liabilities	57,952	-	57,952
Compensated absences	26,342	-	26,342
Total Liabilities	183,207	-	183,207
Net Assets			
Without donor restrictions	3,387,669	-	3,387,669
With donor restrictions	-	616,394	616,394
Total Net Assets	3,387,669	616,394	4,004,063
Total Liabilities and Net Assets	\$ 3,570,876	\$ 616,394	\$ 4,187,270

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

The Arc Rapides, Inc.
Statement of Activities
Year Ended June 30, 2023

Exhibit B

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains (Losses), and Other Support			
Program service fees			
Production and service contracts	\$ 124,058	\$ -	\$ 124,058
Food service	44,635	-	44,635
LA/DHH HCBS	3,107,600	-	3,107,600
LA/WC LRS	21,757	-	21,757
Contributions of cash and other financial assets	4,987	12,000	16,987
Contributions of nonfinancial assets	-	604,394	604,394
Grants	-	107,309	107,309
Membership dues	560	-	560
Investment earnings			
Interest income	8,298	-	8,298
Dividend income	85,203	-	85,203
Realized and unrealized gains (losses) on investments	2,364	-	2,364
Miscellaneous revenue	38,212	-	38,212
Gain (loss) on sale of equipment	15,290	-	15,290
Fundraiser revenue, net	7,522	-	7,522
Net assets released from restrictions	107,309	(107,309)	-
Total Revenues, Gains (Losses), and Other Support	3,567,795	616,394	4,184,189
Expenses			
Program Services			
Supported living	1,359,034	-	1,359,034
Supported employment	590,175	-	590,175
Day habilitation	582,357	-	582,357
Pre-vocational	204,004	-	204,004
Food service	100,481	-	100,481
Supporting Services			
Management and general	857,643	-	857,643
Total Expenses	3,693,694	-	3,693,694
Change in Net Assets	(125,899)	616,394	490,495
Net Assets, Beginning of Year, as Restated	3,513,568	-	3,513,568
Net Assets, End of Year	\$ 3,387,669	\$ 616,394	\$ 4,004,063

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

The Arc Rapides, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

Exhibit C

	Program Services				Supporting Services		Total
	Supported Living	Supported Employment	Day Habilitation	Pre-Vocational	Food Service	Management and General	
Salaries and wages	\$ 1,082,565	\$ 397,689	\$ 217,734	\$ 67,906	\$ 24,830	\$ 527,201	\$ 2,317,925
Payroll taxes	116,781	36,798	21,658	16,927	2,615	59,843	254,622
Employee benefits	-	73	-	-	-	86,756	86,829
Personnel related expenses	4,239	2,445	3,013	399	39	1,028	11,163
Bad debt expense	86,978	21,934	21,926	1,808	-	-	132,646
Communications	12,729	5,761	6,196	3,625	498	19,185	47,994
Computer and software	-	-	990	-	-	6,390	7,380
Contract services	229	682	1,628	546	-	7,333	10,418
o Dues and subscriptions	-	-	-	-	-	9,704	9,704
Equipment	728	1,927	4,623	1,854	744	4,714	14,590
Food expense	19	120	291	126	64,620	11,193	76,369
Insurance	23,539	8,552	16,784	8,103	1,197	14,758	72,933
Postage and freight	-	-	-	-	-	2,042	2,042
Miscellaneous	-	-	-	-	-	2,271	2,271
Production expenses	-	669	-	132	-	-	801
Program expenses	6,458	2,839	4,802	1,680	292	17,181	33,252
Public relations	-	-	-	-	-	658	658
Supplies	2,025	6,242	15,065	6,358	861	55,943	86,494
Training and in-service	884	219	319	36	36	2,881	4,375
Transportation	-	50,054	134,189	43,217	-	5,065	232,525
Travel	10,138	1,719	60	-	-	4,229	16,146
Utilities	6,510	11,611	28,110	12,222	1,833	8,183	68,469
Property expenses	3,142	4,080	9,803	4,262	846	4,875	27,008
Depreciation	2,070	36,761	95,166	34,803	2,070	6,210	177,080
Total Expenses	<u>\$ 1,359,034</u>	<u>\$ 590,175</u>	<u>\$ 582,357</u>	<u>\$ 204,004</u>	<u>\$ 100,481</u>	<u>\$ 857,643</u>	<u>\$ 3,693,694</u>

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

The Arc Rapides, Inc.
Statement of Cash Flows
Year Ended June 30, 2023

Exhibit D

Cash Flows From Operating Activities

Change in net assets	\$ 519,146
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	177,080
Bad debt expense	132,646
(Gain) loss on sale of equipment	(15,290)
Realized and unrealized (gains) losses on investments	(2,364)
Changes in operating assets and liabilities:	
Grnats and accounts receivable	(800,884)
Accrued interest	(85)
Other current assets	(2,806)
Accounts payable	72,731
Accrued liabilities	36,750
Compensated absences	9,096
Cash Provided by (Used in) Operating Activities	126,020

Cash Flows From Investing Activities

Purchase of investments	(1,791,300)
Proceeds from maturity of certificates of deposit	600,000
Proceeds from the sale of equipment	15,290
Purchase of property, plant, and equipment	(292,241)
Cash Provided by (Used in) Investing Activities	(1,468,251)

Cash Provided by (Used in) Financing Activities

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Net Increase (Decrease) in Cash and Cash Equivalents	(1,342,231)
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Cash and Cash Equivalents, Beginning of Year	2,112,293
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Cash and Cash Equivalents, End of Year	\$ 770,062
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Additional Required Disclosures:

1. Management considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. There was no interest paid during the year ended June 30, 2023.
3. There were no income taxes paid during the year ended June 30, 2023.
4. There were no material noncash investing and financing transactions during the year that affected recognized assets and liabilities.

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

The Arc Rapides, Inc.
June 30, 2023

Notes to Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The Arc Rapides, Inc. (Arc) was incorporated in the State of Louisiana on February 10, 1955, as a non-profit organization to provide education, community-based training, and necessary support designed to culminate in the greatest possible level of independent living for individuals with intellectual and developmental disabilities in Rapides Parish, Louisiana. Programs include:

- Supported Living Program: individualized and family support services offered in homes and apartments that are designed to achieve and/or maintain outcomes of independence, productivity, and community inclusion.
- Supported Employment Program: individualized employment or mobile work crews provided in an integrated competitive work setting.
- Day Habilitation Program: individualized non-employment services that are focused on skill development in socialization, adaptive learning, recreation, and community experiences.
- Pre-Vocational Program: individualized facility-based paid work emphasizing productivity. Paid work is complemented with recreational and community inclusion opportunities.
- Food Service Program: facility-based lunch program for participants.

Primary funding is derived from contracts for services with the State of Louisiana Department of Health and Human Services. The membership of the organization is open to all citizens of Rapides Parish, Louisiana, upon payment of dues.

Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 – *Leases (Topic 842)*. Implementation of this standard and subsequent amendments increase the usefulness of the financial statements by enhancing the relevance and consistency of information about leasing activities. Lessees and lessors are required to reevaluate the classification of each lease on the commencement date. Lessees are now required to recognize a right-to-use asset and a lease liability, initially measured at the present value of lease payments, on all long-term lease obligations using a risk-free rate in lieu of determining the incremental borrowing rate. Lessors are required to utilize the accounting guidance established to align with the lessee accounting guidance and the revenue recognition standard. Short-term lease payments are expensed when incurred. The Arc Rapides, Inc. implemented these standards effective July 1, 2022. The adoption of this guidance did not have a material impact on the Arc's financial statements.

The Arc Rapides, Inc.
June 30, 2023

Notes to Financial Statements

Basis of Accounting

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Arc reports information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor-imposed restrictions, program service fees, and interest from operating investments, less expenses incurred in providing program related services and performing administrative functions.
- Net assets with donor restrictions – These net assets result from agreements, gifts of cash, and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends, or the purpose of the restriction is accomplished.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in interest bearing and noninterest bearing checking accounts, interest bearing savings accounts, and short term, highly liquid investments.

Certificates of Deposit

Certificates of deposit have a maturity date in excess of 90 days when purchased and are stated at cost, which approximates market value.

Grants and Accounts Receivable

Grants and accounts receivable are recorded net of an allowance for doubtful accounts based on management's evaluation of the age of the receivables. Receivables are written off after all reasonable collection efforts have been exhausted. (See Note 2).

Investments

Investments consist of marketable securities that are reported at fair market value based on quoted market prices.

The Arc Rapides, Inc.
June 30, 2023

Notes to Financial Statements

Prepaid Expenses

Prepaid expenses include insurance premiums paid prior to year-end for coverage included in the next year.

Property, Plant, and Equipment

Purchased property and equipment, including improvements thereto, are recorded at acquisition cost. Donated property and equipment are recorded at their fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The Arc has adopted a minimum capitalization threshold for any individual item of \$5,000 and greater. Repairs, maintenance, and minor replacements are charged to operations as incurred. Major replacements and improvements that improve or extend the useful lives of the respective assets are capitalized at cost.

Accrued Liabilities

Accrued liabilities consist of salaries and related benefits and taxes payable at year-end.

Compensated Absences

Employees of the Arc are entitled to be paid for accrued time earned as paid time off, depending on job classification, length of service, and other factors. Employees are allowed to carry over ten days of paid time off to the following year, but this is subject to change on a situational basis as determined by the executive director. The Arc accrues a liability for unused paid time off at fiscal year-end.

Revenues and Support

All contributions, grants, and fees are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions, grants, and fees received with donor-imposed restrictions are recorded as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Production and service contracts and food service revenue are invoiced monthly based on rates established by the Arc. These services are considered to be one performance obligation, which is satisfied over the period of time during which the services are rendered. Payment for these services is due upon receipt of the invoice. This method is consistent with the as-invoiced practical expedient.

Fundraiser revenue is reported net of fundraiser expenses in the statement of activities.

The Arc Rapides, Inc.
June 30, 2023

Notes to Financial Statements

Contributions of Nonfinancial Assets

Donated equipment and services are reflected as contributions of nonfinancial assets at their estimated fair value at the date of receipt and are recorded as expenses for current operations. Donated services that require specialized skills are provided by individuals possessing those skills. The Arc would be required to purchase these services if donated services were not available.

The Arc uses the donated equipment and services for its own programs and supporting services. The Arc will occasionally sell donated equipment at the end of its useful life.

Functional Allocation of Expenses

Costs incurred by the Arc from providing various program and support services have been presented on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated on a reasonable and consistent basis among the functional areas benefited. Most expenses are charged directly to program or support services based on specific identification. Other expenses are allocated based on square footage of the buildings in which each program operates, and depreciation for vehicles is allocated based on information from the Transportation Census.

Public Relations

Public relation costs are expensed when incurred. Public relation costs charged to expense for the year ended June 30, 2023, totaled \$658.

Income Tax Status

The Arc is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Arc's tax returns remain subject to audit by the IRS for three years after filing. At June 30, 2023, the returns for tax years 2020, 2021, and 2022 remain open.

Subsequent Events

Management has evaluated subsequent events through November 6, 2023, the date which the financial statements were available for issue.

2. Grants and Accounts Receivable

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Support receivable (DHH)	\$ 523,832	\$ 406,187
Production contracts and food services receivable	20,178	18,300
Donated assets receivable (Restricted)	<u>616,394</u>	<u>-</u>
Less:	1,160,404	424,487
Allowance for uncollectible accounts	<u>(132,646)</u>	<u>(64,967)</u>
	\$ 1,027,758	\$ 359,520

The Arc Rapides, Inc.
June 30, 2023

Notes to Financial Statements

3. Fair Value Measurements

ASC Topic 820 requires the Arc to disclose estimated fair value, which approximates carrying value, for all financial instruments and non-financial instruments measured at fair value on a recurring basis. The fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 specifies a hierarchy of inputs to valuation techniques, which categorizes inputs to fair value measurement that reflect assumptions other market participants would use, based upon market data obtained from independent sources (observable inputs). This hierarchy consists of three broad levels as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Arc uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Fair values of assets measured on a recurring basis at June 30, 2023, are as follows:

	Fair Value Measurement Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities	\$ 443,859	\$ 443,859	\$ -	\$ -

4. Property, Plant, and Equipment

The following schedule summarizes estimated useful life, cost, and accumulated depreciation of property, plant, and equipment as of June 30, 2023:

	Life	2023
Land		\$ 26,000
Construction in progress		246,052
Building and improvements	15 – 40 Years	1,162,706
Vehicles, furniture, and equipment	4 – 10 Years	1,294,041
		2,728,799
Less: accumulated depreciation		(1,603,535)
		\$ 1,125,264

Depreciation expense for the year ended June 30, 2023, was \$177,080.

The Arc Rapides, Inc.
June 30, 2023

Notes to Financial Statements

During the year ended June 30, 2023, the Arc was awarded a noncash grant in the amount of \$604,394 for five vehicles from the Department of Transportation and Development. The vehicles have not been received as of June 30, 2023. Therefore, the vehicles are shown as restricted contributions of nonfinancial assets on the statement of activities and included in restricted grants and accounts receivable on the statement of net position.

5. Accounts Payable

Trade accounts payable	\$ 29,134
Construction payable	69,779
	\$ 98,913

6. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023, are restricted for the following purposes:

Purpose Restrictions	
Vehicles	\$ 604,394
Kitchen supplies	12,000
	\$ 616,394

7. Liquidity and Availability of Financial Assets

The following reflects the Arc's financial assets as of June 30, 2023, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	<u>June 30, 2023</u>
Financial assets:	
Cash and cash equivalents	\$ 770,062
Certificates of deposit	801,424
Grants and accounts receivable, net	1,027,758
Investments	443,859
Total financial assets	3,043,103
Less those unavailable for general expenditure within one year, due to:	
Restricted by donors with purpose restrictions	(616,394)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,426,709

The Arc must maintain sufficient resources to meet responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Arc's liquidity management, it structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Arc anticipates covering its general expenditures by collecting sufficient revenues, investing excess cash in certificates of deposit, and utilizing resources from current year contributions and program service fees.

The Arc Rapides, Inc.
June 30, 2023

Notes to Financial Statements

8. Significant Concentrations

The Arc maintains checking accounts, savings accounts, and certificates of deposit in various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The organization's deposits exceeded FDIC coverage by \$284,637 at June 30, 2023.

Investments of debt securities and certificates of deposit are traded on national stock exchanges and are subject to fluctuations in value. These accounts are insured up to \$500,000, which includes a \$250,000 limit for cash, by Securities Investor Protection Corporation (SIPC). SIPC insurance covers theft or destruction of securities or cash. It does not protect against market losses. The uninsured cash, certificates of deposit, and investment balances held in brokerage accounts totaled \$1,002,095 at June 30, 2023.

The State of Louisiana Department of Health and Hospitals (DHH) Home and Community Based Service Provider (HCBS) and Workforce Commission's (WC) Louisiana Rehabilitation Services (LRS) provided \$3,129,357 in service contract funds, which is approximately 74% of total revenues and support. Without these funds, programs would be significantly affected.

9. Subsequent Events

On July 19, 2023, the Arc entered into a five-year lease agreement with Moore Property for a building to be used as a thrift store.

10. Restatement of Beginning Net Assets Without Donor Restrictions

The Arc recorded the following prior period adjustments to restate net assets for corrections of accounting errors:

Net Assets, Beginning of Year	\$ 3,729,383
Adjustment of grants and accounts receivable for uncollectible accounts	(244,466)
Adjustment for prior year revenue recorded in wrong period	<u>28,651</u>
Net Assets, Beginning of Year, as Restated	\$ 3,513,568

Supplementary Information

The Arc Rapides, Inc.
Schedule of Compensation, Benefits and Other Payments
to the Agency Head or Chief Executive Officer
June 30, 2023

Statement E

Duane Urbina, CEO

Salary	\$ 86,115
Reimbursements	904
Travel	5,714
Meals	259
Cell phone	600
Total	<u>\$ 93,592</u>

See independent auditor's report.

**Other Report Required by
*Government Auditing Standards***

**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***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**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
The Arc Rapides, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc Rapides, Inc. (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, and have issued our report thereon dated November 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc Rapides, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc Rapides, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Arc Rapides, Inc.'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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001 and 2023-003 to be material weaknesses.





PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
The Arc Rapides, Inc.

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 deficiency described in the accompanying schedule of findings and responses as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc Rapides, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-004.

Management's Response to Findings

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

Purpose of This Report

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

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

November 6, 2023

**The Arc Rapides, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? X yes no

Management's Corrective Action Plan See attached

Management's Summary Schedule of Prior Audit Findings Not applicable

Memorandum of Other Comments and Recommendations None issued

Federal Awards Not applicable

Section II – Financial Statement Findings

Finding 2023-001: Unrecorded Accounts Payable

Criteria: The objectives of internal controls include providing management with reasonable assurance that transactions are recorded properly and timely to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition and Context: A control deficiency resulted in a material audit adjustment to accrue an outstanding payable related to construction in progress.

Cause and Effect: Costs for construction in progress were not properly accrued as accounts payable in a timely manner. Therefore, property, plant, and equipment and accounts payable balances were materially misstated.

Recommendation: We recommend implementing procedures to ensure all invoices are recorded in the proper period.

Management's response: See Management's Corrective Action Plan.

The Arc Rapides, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2023

Finding 2023-002: Payroll Fraud

Criteria: The Federal Insurance Contributions Act (FICA) requires the withholding and remittance of tax from the wages of employees to help fund Social Security and Medicare. Employees are required to pay a 6.20% Social Security tax and a 1.45% Medicare tax on earnings which employers match.

Condition and Context: The Financial Manager I intentionally reduced the amount of Social Security and Medicare taxes that would be withheld from her, the Financial Manager II, and the Training Coordinator's paychecks over the course of three years. The Arc Rapides, Inc. paid the required employer match plus the portion of each employee's Social Security and Medicare taxes that were not withheld. The Financial Manager I and the Training Coordinator are no longer employed by the Arc. The Financial Manager II is still employed and is still preparing payroll each period with additional supervision and review.

Cause and Effect: The Financial Manager I and Financial Manager II are the only two individuals involved in the payroll process each pay period. There is no review of payroll records for unusual matters by an appropriate person who is not part of the payroll process. As a result, the Financial Manager I, Financial Manager II, and Training Coordinator committed payroll fraud by intentionally withholding less Social Security and Medicare tax from their paychecks. Although immaterial to the financial statements, The Arc Rapides, Inc. paid approximately \$10,515 in additional taxes that should have been paid by the three employees over the course of three years. The Arc has not filed formal charges against these employees but is currently trying to collect some of the funds from the current employee through payroll deductions and the former employees.

Recommendation: We recommend an appropriate person other than those involved in the payroll process perform a review of the payroll register and payroll checks or direct deposits each pay period, being alert for unusual matters that might suggest fraud, such as the reduction of employee tax withholdings.

Management's response: See Management's Corrective Action Plan.

Finding 2023-003: Grants and Accounts Receivable Reconciliations and Monitoring

Criteria: The objectives of internal controls include providing management with reasonable assurance that transactions are recorded properly and timely to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition and Context: A control deficiency resulted in a material audit adjustment to restate net assets for uncollectible amounts included in prior year grants and accounts receivable and to record an allowance for doubtful accounts for the current period.

Cause and Effect: Grants and accounts receivable reconciliations and monitoring of aging schedules are not being performed on a monthly basis. As a result, beginning net assets and grants and accounts receivable were materially overstated.

Recommendation: In order to ensure proper valuation of grants and accounts receivable, we recommend that grants and accounts receivable reconciliations be performed monthly. In addition, we recommend management closely monitor the receivable aging schedule on a monthly basis.

Management's response: See Management's Corrective Action Plan.

The Arc Rapides, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2023

Finding 2023-004: Medicaid Billing Submissions

Criteria: The Arc is required to submit accurate monthly billing reports to Medicaid for program services provided to participants.

Condition and Context: In our test of Medicaid receipts, we noted two of two months tested in which the monthly billing reports sent to Medicaid included transportation services that were not eligible for payment.

Cause and Effect: The Arc's billing software automatically includes transportation services for the entire month, including weekends; however, Medicaid only pays for weekday transportation services. Also, the Arc included transportation services on days that clients were absent. Personnel did not adjust or remove the ineligible transportation services before submitting the billing report to Medicaid. Failure to adjust the billing reports for ineligible services could result in the Arc receiving funds from Medicaid that were not owed.

Recommendation: We recommend the Arc adjust the billing reports for ineligible services prior to submission to Medicaid.

Management's response: See Management's Corrective Action Plan.

Section III – Federal Award Finding and Questioned Costs

Not applicable.



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**The Arc Rapides, Inc.
Management's Corrective Action Plan
Year Ended June 30, 2023**

The Arc Rapides, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2023.

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP
P.O. Box 13200
Alexandria, LA 71315-3200

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

Finding 2023-001: Unrecorded Accounts Payable

Condition and Context: A control deficiency resulted in a material audit adjustment to accrue an outstanding payable related to construction in progress.

Recommendation: We recommend implementing procedures to ensure all invoices are recorded in the proper period.

Corrective action taken: The Arc recognizes its failure to produce accurate accounts payable. Since finding the deficiency, the accounting department has been expanded to three employees. Previously, there were two employees in accounting. One of those employees was retained. Monthly, the Director or his designated appointee will review the accounts payable for accuracy. Of note, if the director chooses to delegate this duty, the appointee will be from outside of the accounting department. Additionally noteworthy, the Arc plans to rebuild its accounting procedures starting with a new chart of accounts that will lead to better controls.

Finding 2023-002: Payroll Fraud

Condition and Context: The Financial Manager I intentionally reduced the amount of Social Security and Medicare taxes that would be withheld from her, the Financial Manager II, and one other employee's paychecks over the course of three years. The Arc Rapides, Inc. paid the required employer match plus the portion of each employee's Social Security and Medicare taxes that were not withheld.

Recommendation: We recommend an appropriate person other than those involved in the payroll process perform a review of the payroll register and payroll checks or direct deposits each pay period, being alert for unusual matters that might suggest fraud, such as the reduction of employee tax withholdings.

[aka John Eskew Center]

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**The Arc Rapides, Inc.
Management's Corrective Action Plan
Year Ended June 30, 2023**

Corrective action taken: The Arc recognizes the deficiencies within its payroll system. Currently, the director or his appointee will review proper payroll procedures including:

- a. Review of payroll register
- b. Review of payroll checks
- c. Review for proper remittance of payroll tax remittance

Eventually, the Arc will outsource all payroll processing to a CPA firm.

Finding 2023-003: Accounts Receivable Reconciliations and Monitoring

Condition and Context: A control deficiency resulted in a material audit adjustment to restate net assets for uncollectible amounts included in prior year accounts receivable and to record an allowance for doubtful accounts for the current period.

Recommendation: In order to ensure proper valuation of accounts receivable, we recommend that accounts receivable reconciliations be performed monthly. In addition, we recommend management closely monitor the accounts receivable aging schedule on a monthly basis.

Corrective action taken: The Arc recognizes the deficiency in failing to produce accurate accounts receivable. We are making changes to our processes. Monthly controls will include the Director or his appointee reviewing the accuracy of accounts receivable with the accounting department. That review will lead to GAAP compliant adjustments.

Finding 2023-004: Medicaid Billing Submissions

Condition and Context: In our test of Medicaid receipts, we noted two of two months tested in which the monthly billing reports sent to Medicaid included transportation services that were not eligible for payment.

Recommendation: We recommend the Arc adjust the billing reports for ineligible services prior to submission to Medicaid.

Corrective action taken: The Arc recognizes its previous failure to accurately bill Medicaid. The Arc recognizes the importance of this process and the importance of producing accurate medical billings. Of note, the Arc has already changed its billings process, changing from monthly to weekly billings. These changes in procedures and personnel will remedy the previous deficiencies. Again, the Director or his appointee will review the billings for accuracy monthly.

[aka John Eskew Center]

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The Arc Rapides, Inc.

*Statewide Agreed-Upon Procedures
Report*

Alexandria, Louisiana

June 30, 2023



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors of
The Arc Rapides, Inc.
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. The Arc Rapides, Inc.'s (Arc) management is responsible for those C/C areas identified in the SAUPs.

The Arc Rapides, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user for 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 results are as follows:

Written Policies and Procedures

1. **Procedure:** Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.





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To the Board of Directors of
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- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.



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and the Louisiana Legislative Auditor

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

Results: We noted no written policies and procedures were in place for the following categories: budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, travel and expense reimbursement, credit cards (and debit cards, fuel cards, purchase cards, if applicable), and information technology disaster recovery/business continuity. The categories ethics, debt service, and prevention of sexual harassment do not apply to nonprofits.

Management's Response: The Arc is in the process of writing new policies for budgeting, purchasing, disbursements, receipts, payroll personnel, contracting, travel, expense reimbursements, credit cards, information technology, and disaster recovery business.

Board or Finance Committee

2. **Procedure:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *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.*
 - 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.



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The Arc Rapides, Inc.
and the Louisiana Legislative Auditor

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

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

Bank Reconciliations

3. **Procedure:** Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four (4) additional accounts [or all accounts if less than five (5)]. Randomly select one (1) month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within two (2) months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than twelve (12) months from the statement closing date, if applicable.

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

Collections (excluding electronic funds transfers)

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

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



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5. **Procedure:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one (1) collection location for each deposit site [e.g., five (5) collection locations for five (5) deposit sites], obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees responsible for cash collections do not share cash drawers/registers;
 - b) Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - c) Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

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

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

Results: We noted no bond or insurance policy for theft covering all employees who have access to cash was in force during the fiscal period.

Management's Response: The Arc is in the process of purchasing bond insurance for employee theft.



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7. **Procedure:** Randomly select two (2) deposit dates for each of the five (5) bank accounts selected for Bank Reconciliations procedure #3 (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten (10) deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one (1) business day of receipt at the collection location [within one (1) week if the depository is more than ten (10) miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer].
 - e) Trace the actual deposit per the bank statement to the general ledger.

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

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

8. **Procedure:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five (5) locations [or all locations if less than five (5)].

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

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



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The Arc Rapides, Inc.
and the Louisiana Legislative Auditor

- a) At least two (2) employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
- b) At least two (2) employees are involved in processing and approving payments to vendors;
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

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

10. Procedure: For each location selected under procedure #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five (5) disbursements for each location, obtain supporting documentation for each transaction, and:

- a) Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and supporting documentation indicates deliverables included on the invoice were received by the entity, and
- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #9 above, as applicable.

Results: We noted no supporting documentation for one (1) of five (5) disbursements tested. Therefore, we were unable to observe whether the disbursement matched the itemized invoice or whether the documentation included evidence of segregation of duties as tested under procedure #9.

Management's Response: Policy and procedures are being installed and/or revised to ensure proper documentation of all nonpayroll disbursements.



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

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

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

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

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

13. Procedure: Using the listing prepared by management, randomly select five (5) cards [or all cards if less than five (5)] that were used during the fiscal period. Randomly select one (1) monthly statement or combined statement for each card [for a debit card, randomly select one (1) monthly bank statement], obtain supporting documentation, and:

a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

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

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



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14. Procedure: Using the monthly statements or combined statements selected under procedure #13 above, excluding fuel cards, randomly select ten (10) transactions [or all transactions if less than ten (10)] from each statement, and obtain supporting documentation for the transactions [e.g., each card should have ten (10) transactions subject to inspection]. 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 observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: We noted no written documentation of the business/public purpose for ten (10) of ten (10) transactions tested.

Management’s Response: Policy and procedures are being installed and/or revised to ensure proper documentation of all credit card transactions.

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

15. Procedure: Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select five (5) reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five (5) reimbursements selected:

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures (procedure #1g); and



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- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We noted two (2) of the five (5) reimbursements tested were not supported by documentation of the business/public purpose. We also noted three (3) of the five (5) reimbursements tested were reviewed and approved by the same person receiving reimbursement.

Management's Response: Policy and procedures are being installed and/or revised to ensure proper documentation of all travel-related expense reimbursements.

Contracts

- 16. **Procedure:** Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *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 five (5) contracts [or all contracts if less than five (5)] from the listing, excluding the practitioner's contract, and

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- d) Randomly select one (1) payment from the fiscal period for each of the five (5) contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

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



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Payroll and Personnel

17. Procedure: Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five (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: No exceptions were found as a result of this procedure.

18. Procedure: Randomly select one (1) pay period during the fiscal period. For the five (5) employees or officials selected under procedure #17 above, obtain attendance records and leave documentation for the pay period, and:

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

Results: We noted no supervisor approval of the attendance and leave for all five (5) employees tested.

Management's Response: Policy and procedures are being installed and/or revised to ensure proper documentation of all employee attendance, vacation, sick leave, and salary rate.



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19. Procedure: Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two (2) employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to the entity policy.

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

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

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

Ethics

21. Procedure: Using the five (5) randomly selected employees/officials from Payroll and Personnel procedure #17 above obtain ethics documentation from management, and:

- a) Observe whether the documentation demonstrates that each employee/official completed one (1) hour of ethics training during the calendar year as required by R.S. 42:1170; and
- b) Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: Ethics requirements are not applicable to nonprofits.

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

Results: Ethics requirements are not applicable to nonprofits.



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Debt Service

23. Procedure: Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Results: Debt service requirements are not applicable to nonprofits.

24. Procedure: Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one (1) bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Debt service requirements are not applicable to nonprofits.

Fraud Notice

25. Procedure: Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

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

26. Procedure: Observe 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 Arc had not posted, on its premises or website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Management's Response: The Arc is in the process of reviewing all locally, state, and federal postings. Policies and procedures are being drafted for compliance.



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Information Technology Disaster Recover/Business Continuity

27. Procedure: 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 there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.
- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past three (3) months.
- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select five (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: We performed the procedure and discussed the results with management.

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

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

Prevention of Sexual Harassment

29. Procedure: Using the five (5) randomly selected employees/officials from Payroll and Personnel procedure #17, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one (1) hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Results: Sexual harassment requirements are not applicable to nonprofits.



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

Results: Sexual harassment requirements are not applicable to nonprofits.

31. Procedure: Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Results: Sexual harassment requirements are not applicable to nonprofits.

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

We are required to be independent of The Arc Rapides, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.



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

Payne, Moore & Herrington, LLP

Payne, Moore & Herrington, LLP
Alexandria, Louisiana

November 6, 2023