

State of Louisiana
Board of Private Security Examiners

Fiscal Year Ended June 30, 2018
Agreed-Upon Procedures Report

**State of Louisiana
Board of Private Security Examiners**

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J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of
Louisiana State Board of
Private Security Examiners

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the Louisiana State Board of Private Security Examiners, a component unit of the State of Louisiana is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the Louisiana State Board of Private Security Examiners and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Louisiana State Board of Private Security Examiners' compliance with certain laws and regulations during the year ended June 30, 2018.

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:

Prior-year Findings

Bank Reconciliations

The Board maintains one checking account used for Board operations. Two staff persons participate in fee collection, disbursement, and reconciliation activities. We performed procedures to reconcile cash transactions to the Board's general ledger and bank statements, and evaluated the segregation of duties between Board staff. We reviewed the bank account reconciliations to see if they were performed monthly and if the bank statements were reviewed timely by the Executive Director. Our results were that in one instance it was completed in more than 45 days after the month ended.

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Management should ensure that the Board's bank accounts are reconciled monthly and that reconciliations are timely approved by management. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. See *Bank Reconciliations* below under current year findings.

Disbursements – Other General

We obtained the Board's policy relating to disbursements. We reviewed the policy to determine if the policy addressed procedures relating to processing, reviewing and approving disbursements. We obtained a listing (general ledger) of the Board's disbursements from management. From the listing we randomly selected five disbursements. We obtained supporting documentation for each of the disbursements. We looked to see if an original itemized receipt or invoice existed that identified precisely what was purchased or acquired. We looked to see if the documentation provided for the business/public purpose of the transaction. For each transaction selected we compared the Board's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. For one contract, services were paid in advance. In reviewing invoices for I.T. services we discovered that payment for services were made in advance of services. Such payment could be in violation of Article 7, Section 14 of the Louisiana Constitution.

Management should ensure that all disbursements are made according to the proper timing as required by the Louisiana Constitution. Management concurred with the finding and outlined a plan of corrective action.

Management should establish controls to ensure that transactions are reviewed and approved by someone other than the person who initiated the purchase. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. See *Disbursements – Other General* below under results of our procedures.

Current Year Findings

Ethics

Using the five selected employees from procedures under "Payroll and Personnel," we obtained ethics compliance documentation from management and reports indicating whether the Board maintained documentation demonstrating that required annual ethics training was completed. Based upon the result of the procedures performed, no exceptions noted.

We obtained a listing of Board members from management. We randomly selected five of the Board members and reported whether the Board maintained documentation to demonstrate that required annual ethics training was completed.

We inquired of management whether any alleged ethics violations were reported to the Board during the fiscal period. If applicable, reviewed documentation that demonstrates



whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Reported whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Board was unable to provide documentation for one of the five commissioners that the commissioner completed the annual requirement of one hour of ethics training required by R.S. 42:1170(3)(a)(i). The statute requires that all public servants receive a minimum of one hour of education and training on the Code of Governmental Ethics during each year of public employment or term of office.

Management should ensure that all commissioners complete the required ethics training annually. Management concurred with the finding and outlined a plan of corrective action. *(See management's response under Appendix A)*

Contracts

We obtained the Board's policy relating to contracting for services. We reviewed policy to determine if policy included guidelines relating to (1) types of services requiring written contracts, (2) standard terms and conditions, (3) approval process, and (4) monitoring process. We obtained a list of all contracts in effect during the fiscal year ending June 30, 2018. We randomly selected five contract vendors that were paid during the fiscal period. We looked to determine if a formal/written contract that supported the services arrangement and the amount(s) paid to vendors was done. We compared each contract's detail as it related to the Louisiana Public Bid Law or Procurement Code. None of the contracts selected met the requirements under the Louisiana Public Bid Law.

We inquired about reviewed documentation to see whether the Board solicited quotes as a best practice. None of the contracts considered were amended during the fiscal period ending June 30, 2018. We selected the largest payment from each of the contracts and obtained the supporting invoice(s) and compared the invoice(s) to the contract terms. We reviewed documentation provided, including board minutes to determine if the Board of commissioners had approved the execution of the contracts.

For two of the selected contracts, the vendors were not compensated according to the terms of the contracts. Invoices provided for the two vendors did not provide sufficient detail to determine compliance with contract terms.

Management should ensure that vendors are compensated according to contracts and all invoices contained detail related to charges. Management concurred with the finding and outlined a plan of corrective action. *(See management's response under Appendix A)*

Bank Reconciliations

We obtained the listing of bank accounts from management and the management's representation states that the listing is complete. We obtained the bank statements and reconciliations for all months of the fiscal year. We confirmed that bank account reconciliations are performed timely, and bank statements are reviewed timely.



Bank reconciliations are performed on a monthly basis by the administrative coordinator. The Executive Director reviews and signs-off on the bank reconciliations. No board member reviews or signs-off on the bank reconciliation and we consider this a lack of a necessary compensating control.

Management should implement a policy to have someone who does not handle cash, post ledgers, issue checks or sign checks to review each reconciliation. Management concurred with the finding and outlined a plan of corrective action. (*See management's response under Appendix A*)

Other Results of Our Procedures

Written Policies and Procedures

We obtained the board's written policies and procedures relating to financial/business functions as addressed in this report. Any exceptions are noted under current findings.

Annual Fiscal Report (AFR)

We obtained the financial statements from the AFR submitted to the Division of Administration's (DOA) Office of Statewide Reporting and Accounting Policy for the current and prior periods. We performed analytical procedures comparing current and prior period amount by line item. We inquired of management if there was a variance of 10% or greater for line items that are 10% or more of the respective total assets/deferred outflows of resources, liabilities/deferred inflows of resources, net position, revenues, and/or expenses.

We inquired of management regarding line items that had a variance of 10% or greater. The line item Machinery & Equipment had an increase of 46.33%, the explanation provided by management, is that the Board purchased new equipment during fiscal period. The line item Accounts Payable and Accruals had an increase of 15.49%, the explanation provided by management is that the Board had unpaid invoices during fiscal period. The line item Amounts Holding in Custody for Others had an increase of 60.59%; the explanation provided by management is that state police is behind in processing fingerprints. The line item OPEB Liability had an increase of 45.08%, the explanation provided by management is that the liability increased due to the cost of employee's benefits increased. The line items Net Pension Liability and Compensated absences had a decrease of 21.44% and 28.58%; the explanation provided by management is that the variance is due to the restatement for employees transferring to another agency.

The line item Deferred Inflows had an increase of 92.70%; the explanation provided by management is due to changes caused by GASB 75 adoption. The line item, Unrestricted Fund balance had a decrease of 11.64%, the explanation is due changes caused by GASB 68 & 75 along with increased expenses for salaries and benefits. The line item Cost of Sales and Services Expenditure had a decrease of 38.43%, the explanation provided by management is due to the decrease in salary and pension costs during the fiscal period. The line item Net Position- Beginning had an increase of 97.82%, the explanation provided by management is due to a restatement related to pension liability in the fiscal year that increased the beginning current year net position.



Board Activity

We obtained and reviewed the board minutes for the fiscal year ended June 30, 2018. The Board of commissioners is scheduled to meet on a quarterly basis. For meetings for the fiscal year there was a quorum to conduct business for each of the meetings reviewed. We reviewed the minutes to determine if there was a reference to the introduction of monthly budget to actual comparison financials and/or a reference that budget comparative financials were provided to commissioners. Additionally, we accessed the Board's online information included in the DOA's boards and commissions' database to determine if the Board submitted board meeting notices and minutes for all meetings during the fiscal period. Based on the results of our procedures, no exceptions were identified.

Collections

We reviewed the Board's policy relating to receipts. We reviewed policy to determine if policy contained procedures relating to the receiving, recording and preparation of deposits. We obtained existing documentation relative to insurance policies, policy manual and job descriptions to determine whether each person responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transactions, and reconciling the related bank account(s). The administrative staff prepares schedule of daily collections. A secondary staff member prepares daily deposits and records payments to the accounting system. Deposits are signed off and approved by the Executive Director. Based on the results of our procedures, no exceptions were identified.

We selected the highest (dollar) week of cash collections from the general ledger and using the Board's collection documentation (e.g. deposit slips and bank statements) we traced the daily collections to the deposit date on the corresponding bank statement. We reviewed the date of collections and compared it to the date that deposits were made to determine if deposits were made within one day of collections. We reviewed the receipt books provided and considered if the receipts were sequentially numbered. We verified if daily cash collections were completely supported by documentation. Based on the results of our procedures, no exceptions were identified.

We reviewed the process as outlined in the Board's policy regarding completeness of all collections, including electronic transfers. Documentation is placed in the file of each licensee showing payments and form of payment. For electronic payments, reports are uploaded and compared to records of payment for each licensee's file.

We obtained a list of initial and renewal licenses granted during the period from management and management's representation that the listing is complete. We randomly selected 10 individual applicants from the listing and obtained the supporting documentation (e.g. application, copy of check) from management. We verified if the fee paid for the license was the appropriate fee based on the applicable fee schedule established by the board or statute. We reviewed to see if any penalty was assessed; if so was assessed penalty collected in accordance with the board's policies. Based upon our procedures, no exceptions were identified.



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

We reviewed the Board's written policy regarding credit cards (and debit cards, fuel cards, and P-Cards). We reviewed the policy to determine if procedures included (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage. We obtained a list from the Board of all active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and the names of the persons who maintained possession of the cards. We selected all cards that were used during the fiscal period ending June 30, 2018. We obtained the monthly statements with the largest dollar activity for each card selected. We looked for evidence that the monthly statements along with supporting documentation for transactions were reviewed and approved, in writing, either by the Executive Director or a commissioner. Additionally, we reviewed the selected statements to determine if any finance charges and/or late fees had been assessed. Based on the results of our procedures, no exceptions were identified.

Using the monthly statements for the cards selected above, we obtained supporting documentation for all transactions for each of the cards selected. For each transaction, we looked to see if an original itemized receipt was presented. We looked for documentation to address the business/public purpose of the transaction. If meal charges were involved in the transaction, we looked to see if there was documentation indicating the individuals participating in the transaction. For each transaction we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Board's written purchasing/disbursement policies and the Louisiana Public Bid Law. Also, we compared the Board's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. Based on the results of our procedures, no exceptions were identified.

Travel Expenditures

We obtained from the Board a listing of all travel and related expense reimbursements, by person during the fiscal year ending June 30, 2018. We obtained the Board's written policies relating to travel and expense reimbursements. From documentation provided we selected the three individuals who incurred the most travel costs during the fiscal period ending June 30, 2018.

We obtained the expense reimbursement reports of each person selected, including the supporting documentation, and we chose the largest travel expense for each person to review in detail. We compared expense documentation to written policies to determine whether each expense was reimbursed in accordance with written policy.

We looked to determine if an original itemized receipt was present that identified precisely what was purchased. We looked to determine if the documentation provided indicated the business/public purpose of the transaction. For each transaction selected we compared the Board's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. For the transactions considered there were no instance whereby the request for travel and/or expense reimbursement was submitted more than 30 days following the date of travel. Based on the results of our procedures, no exceptions were identified.



Payroll and Personnel

We obtained a copy of the Board's policies relating to payroll/personnel issues. We reviewed policies to determine (1) payroll processing and (2) process for reviewing and approving time and attendance records, including leave and overtime worked. We obtained a listing of employees with their related salaries. We randomly selected five employees and obtained their personnel files. We reviewed compensation paid to each employee during the fiscal period to determine if payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure. We noted no changes in hourly pay rates/salaries during the fiscal period. Therefore no procedures were performed relating to changes in hourly pay rates/salaries. Based on our procedures, no exceptions were identified.

We obtained attendance and leave records and randomly selected one pay period in which leave had been taken by at least one employee. We looked to determine if all employees' documentation were approved by a supervisor. We looked to determine if appropriate documentation existed relating to written leave records. Based on our procedures, no exceptions were identified.

We obtained from management a list of those employees that were terminated during the fiscal period. Personnel file was obtained for one employee. We considered and looked at documentation of the discharged employee to determine if final payment was made in strict accordance with policy and approved by management. Based on our procedures, no exceptions were identified.

Disbursements – Other General

We obtained the District's policy relating to disbursements. We reviewed the policy to determine if the policy addressed procedures relating to processing, reviewing and approving disbursements. We obtained a listing (general ledger) of the District's disbursements from management. From the listing we randomly selected five disbursements. We obtained supporting documentation for each of the disbursements. We looked to see if an original itemized receipt or invoice existed that identified precisely what was purchased or acquired. We looked to see if the documentation provided for the business/public purpose of the transaction. For each transaction selected we compared the District's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. We looked to determine if documentation in writing existed indicating who reviewed and approved the transaction and determined if said individual is someone other than the person who initiated the purchase. Based on the results of our procedures, no exceptions were identified.

Budget

We obtained a copy of the Board's policy regarding budgetary procedures. We reviewed the policy to determine if it included steps relating to the preparation, adopting, monitoring and amending the budget. We obtained a copy of the legally adopted budget for the fiscal year ending June 30, 2018. We traced the budget adoption to the minutes documentation of the Board. We compared the total revenues and total expenditures of the final budget to actual total revenues and total expenditures on the financial



statements. We inquired of management line items that had a variance 10% or greater. The line item Cost of Sales & Services Expenditure had a variance of 17.60%, the explanation is that salary and pension costs increased during fiscal year. We inquired of management whether the Board has uploaded its budget information into the DOA's boards and commissions' database for the fiscal period ending June 30, 2018. We accessed the online database to obtain the budget information for the fiscal period June 30, 2018. We detected no differences between the budget information contained in the database and the budget adopted by the Board of commissioners.

Debt Service

The Board issued no debt obligations for the fiscal year ending June 30, 2018. Also, they do not have any outstanding debt therefore; no procedures were performed relating to debt service.

Other

We inquired of the management of the Board if there were any misappropriations of public funds or assets. Management indicated that they were unaware of any misappropriation of public funds or assets from the Board.

The Board did not enter into a contract for the audit or attest services other than these agreed-upon procedures for the fiscal year ending June 30, 2018.

Corrective Action

We obtained management's response and corrective action plan for exceptions noted in the above agreed-upon procedures. See Appendix A for management's response and corrective action plan.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The report is intended solely for the use of management of the Louisiana State Board of Private Security Examiners and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as public document.

J. Walker & Company, APC

Lake Charles, Louisiana

October 22, 2018



Appendix A



10.29.2018

LSBPSE Executive Order No. 18-003

To
Legislative Auditor & Staff

From
Fabian P. Blache III
Executive Director & CAO

CC
FILE

Re
LSBPSE Executive
Order 18-003
Audit Response

Purpose:

To provide substantive responses to the 2017-2018 Legislative Audit, and to direct staff on corrective actions resulting from the audit finding **CONTRACT SERVICE PAID IN ADVANCE**.

Statement:

We concur with the finding and offer the following corrective action plan.

Response and Plan:

We contact the vendor last year to raise the issue of the billing cycle with the intent to have them adjust it in such a way as to be in compliance with a constitutional provision that calls for state agencies to pay for services after they are rendered. The construct of this contract is to discount the service by using a monthly rate, which is a flat rate.

Nevertheless, the accounting department was instructed to hold the invoices until the 31st day and then to pay the invoices at that time. This did not occur in all instances. Will continue to endeavor to pay the invoices which are billed in advance after they have aged 31 days.

Purpose:

To provide for timely and accurate collection of ethics training by all board members.

Statement:

During the fiscal year 2017-2018 the board was unable to provide documentation for one (1) of five (5) board members with respect to ethics training.

Response and Plan:

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The statute requires one hour each year of ethics training for board members. The LSBPSE will put in place a scheduling tickler to assure that all members remain compliant with this requirement.

Purpose:

To assure that contracts are paid within the terms of the contract and that invoices provide sufficient and substantive documentation in support of payments.

Statement:

Two samples from contracts with respect to the invoicing did not provide adequate detail to verify the vendors were compensated in accordance with the contract terms.

Response and Plan:

The vendors have been contacted and apprised of the need for more detail in their invoicing. This will be in compliance going forward.

Purpose:

To assure that bank reconciliations are being done timely and with adequate review and approval.

Statement:

Someone who does not handle cash, post ledgers, issues checks or signs checks should be assigned to review each reconciliation.

Response and Plan:

The executive assistant, who does not hold a P-Card, nor handles cash, posts ledgers, issues or signs checks will be added to a new policy to assure that reconciliations are reviewed in the manner outlined by the audit recommendation.

Any questions regarding this memorandum should be directed to Fabian Blache III at 225-272-2310 Ext. 8.

FPB/wsa