

# Solicitation for Proposal (SFP)

## TO INTERESTED INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS (ICPAs):

Proposals should be organized and submitted in strict accordance with the format provided by the "Response to the Solicitation for Proposal." The legislative auditor reserves the right to refuse to consider proposals that are not submitted in this format or that are incomplete.

Proposals will be evaluated for both technical factors and cost factors. The technical factors that will be considered in the selection process include the ICPA's experience in performing governmental engagements, qualifications of staff, and approach for planning and conducting the engagement.

### General Information

- Questions concerning SFPs should be directed to [StateContracts@lla.la.gov](mailto:StateContracts@lla.la.gov).
- Proposers must be approved by the legislative auditor to perform governmental engagements. Proposers must also have their most recent peer review report published on the legislative auditor's website.
- Each proposal must include the pricing information required by the engagement in a separately sealed envelope stapled to the inside back cover of the proposal. The pricing information should conform to the format specified in the "Response to the Solicitation for Proposal." Failure to present the pricing information in this format will result in the disqualification of a proposer. The envelope containing the pricing information must specify the solicitation number, ICPA firm name, and the state agency name (see example on the last page of the "Response to the Solicitation for Proposal"). **Any proposal that includes the pricing information in the body of the proposal will be rejected.**
- Proposers may propose on as many state agency engagements as desired. However, for every state agency to be proposed on, the proposer must complete a separate proposal. Multiple proposals do not have to be mailed separately, provided the pricing envelope for each proposal is securely sealed and stapled to the inside back cover of the appropriate proposal.
- Under the provisions of R.S. 24:517.3, the successful proposer will enter into an engagement contract with the legislative auditor. Upon the ICPA's completion of the engagement and submission of the invoice to both the legislative auditor and the state agency, the state agency will issue a check made payable solely to the legislative auditor. The state agency will then submit the check to the legislative auditor. The legislative auditor, after review and approval of the payment, will then submit a check to the ICPA.
- The legislative auditor reserves the right to reject any and all submitted proposals and to request additional information from any and all proposers.
- The name of the successful proposer and pricing information will be posted on the legislative auditor's website.
- Submitted proposals become part of the legislative auditor's official files.

## **Scope of Engagement**

The engagement will encompass all funds under the control of the state agency. There will be no limitations on the scope of the engagement.

## **Contract Period**

For each agency soliciting proposals, an engagement contract will be awarded for a specified contract period, which may include multi-year engagements. The contract periods and engagement periods are included in the agency specific information.

## **Nature of Services Required – Audits**

The audit must be a financial audit performed in accordance with:

- A. Generally accepted auditing standards, promulgated by the Auditing Standards Board of the American Institute of Certified Public Accountants.
- B. The standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- C. Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), when applicable.

The audit must comply with the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

In conjunction with the previously mentioned standards, the ICPA should:

1. Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement caused by errors, fraud, or illegal acts.
2. Examine sufficient evidential matter to support the opinions and comments expressed within the auditor's reports.
3. Assess the accounting principles used and significant estimates made by management, as well as evaluate the overall financial statement presentation.
4. Include an assessment of the risk that errors and fraud may cause the financial statements to contain a material misstatement and consider illegal acts that could have a direct material effect on the financial statements, to the extent required by the previously mentioned standards, and based on the assessment, design tests to detect such matters.
5. To the extent required by the previously mentioned standards and state law, any errors, fraud, illegal acts, or abuse detected during the audit should be included in the audit report. In addition, the errors, fraud, illegal acts, or abuse should be brought to the attention of the audit committee, to the extent required by the previously mentioned standards.
6. Convey to the state agency, as appropriate, those matters observed relating to opportunities for economies of operation or other matters that should be brought to the state agency's attention.

## **Nature of Services Required – Agreed-Upon Procedures**

The agreed-upon procedures must be performed in accordance with:

- A. Statements on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants.
- B. The applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The following agreed-upon procedures will be performed:

***Written Policies and Procedures***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) the preparation and approval process of purchase requisitions and purchase orders; (3) controls to ensure compliance with the public bid law or state purchasing rules and regulations; and (4) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving
  - d) ***Receipts***, including receiving, recording, and preparing deposits
  - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) approval process, and (4) monitoring process
  - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
  - h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (2) documentation requirements, (3) time-frame in which requests must be submitted and (4) required approvers
  - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, and (3) system to monitor possible ethics violations.
  - j) ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

***Annual Fiscal Report (AFR)***

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2. Obtain 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. Perform analytical procedures comparing current and prior period amounts, by line item. Report any variances 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, or expenses, and management's explanation of the variance.

***Board (or Finance Committee, if applicable)***

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3. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons.
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

- c) Access the entity's online information included in the DOA's boards and commissions database (<https://wwwcfprd.doa.louisiana.gov/boardsandcommissions/home.cfm>) and report whether the entity submitted board meeting notices and minutes for all meetings during the fiscal period.

### ***Bank Reconciliations***

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4. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
5. For each of the bank accounts in the listing provided by management, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared;
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation;
  - c) The reconciled balance for the final month of the fiscal period agrees to the general ledger; and
  - d) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

### ***Collections***

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6. Obtain existing documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account. Report if there are compensating controls performed by a board member or an outside party.
7. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
  - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day.
  - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
8. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, reasonableness of cash collections based on licenses issued) by a person who is not responsible for collections.
9. For licensing boards, obtain a list of initial and renewal licenses granted during the period from management and management's representation that the listing is complete. Randomly select 10 individual applicants from the listing and obtain the supporting documentation (e.g. application, copy of check) from management and:
  - Report whether the fee paid for license was the appropriate fee based on the applicable fee schedule established by the board or statute.
  - If a penalty was assessed (e.g. late fee), report whether the penalty was assessed and collected in accordance with the board's policies.

10. For levee districts, obtain independent confirmation of the tax amounts received from the appropriate parish Sherriff's offices. Report any differences between the confirmed amount and amount deposited by levee district.

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

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.
12. Using the listing prepared by management, randomly select five cards that were used during the fiscal period. Obtain the monthly statements, or combined statements with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
  - a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
  - b) Report whether finance charges and/or late fees were assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, obtain supporting documentation for all transactions for each of the five cards selected (i.e. each of the five cards should have one month of transactions subject to testing).
  - a) For each transaction, report whether the transaction is supported by:
    - An original itemized receipt (i.e., identifies precisely what was purchased)
    - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
    - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
  - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
  - c) For each transaction, compare the entity'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, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

### ***Travel and Expense Reimbursement***

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14. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
15. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the state's travel rules and regulations (i.e. PPM 49) and report any rates that exceed the rates established by PPM49. Note: Report rates that exceed those established in PPM49 even if the entity has the legal authorization to establish its own rates.

16. Using the listing or general ledger from #14 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the PPM 49 rates (#15 above) and report each reimbursement that exceeded those rates.
  - b) Report whether each expense is supported by:
    - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
    - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
    - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
  - c) Compare the entity'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, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
  - d) If the travel and expense reimbursement request was submitted more than 30 days following the date of travel, report the number of days between the travel date and reimbursement request date.
  - e) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

## **Contracts**

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17. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
18. Using the listing above, randomly select the five contract "vendors" that were paid during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner or the Louisiana Legislative Auditor). Obtain the related contracts and paid invoices and:
- Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
  - Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
    - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
  - Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

- Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law.

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

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19. Obtain a listing of employees with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees, obtain their personnel files, and:
  - Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
  - Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
20. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee, and:
  - a) Report whether all employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
  - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.
  - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
21. Obtain from management a list of those employees that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

### ***Disbursements – Other General***

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22. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter all for all other entity disbursements that are not addressed in the sections above (credit card/debit card/travel card/P-card, travel and expense reimbursement, contracts, and payroll and personnel). Obtain management's representation that the listing or general ledger population is complete.
23. Using the listing or general ledger from #22 above, randomly select five disbursements. Obtain supporting documentation (e.g. purchase requisition, invoices, receipts, receiving slips) for each disbursement. For each of the five disbursements selected:
  - a) Report whether each expense is supported by:
    - An original itemized receipt or invoice that identifies precisely what was purchased.
    - Documentation of the business/public purpose
    - Other documentation as may be required by written policy
  - b) Compare the entity'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, and report any exceptions (e.g. purchases for items for personal use without a business/public purpose). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

- c) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person who initiated the purchase.

### ***Ethics***

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24. Using the five selected employees from procedure #19 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required annual ethics training was completed.
25. Obtain a listing of board members from management. Randomly select five of the board members and report whether the entity maintained documentation to demonstrate that required annual ethics training was completed.
26. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review 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. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

### ***Budget***

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27. Obtain a copy of the legally adopted budget and all amendments.
28. Trace the budget adoption and amendments to the minute book.
29. Compare the total revenues and total expenditures of the final budget to actual total revenues and total expenditures on the financial statements or AFR. Report variances of 10% or greater.
30. Inquire of management whether the entity has updated its budget information in the DOA's boards and commissions database referred to in #3 above for the current fiscal period (i.e. period covered in these procedures). Access the online database and obtain the budget information for the current fiscal period. Report any differences between the budget information contained in the database and the budget adopted by the entity's board.

### ***Debt Service***

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31. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
32. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

### ***Other***

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33. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
34. Inquire of management whether the entity contracted for audit or attest services other than these agreed-upon procedures during the current period. Report the type of audit or attest service (i.e. audit, review, agreed-upon procedures, etc.) contracted by management and the purpose or requirement for the additional audit or attest service.
35. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

## ***Corrective Action***

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36. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

The agreed-upon procedures must comply with the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

In conjunction with the previously mentioned standards and procedures the ICPA should convey to the state agency, as appropriate, those matters observed relating to opportunities for economies of operation or other matters that should be brought to the state agency's attention.

## **Report Requirements – Audits**

Each audit report shall include:

1. An Independent Auditor's Report. The report shall include:
  - a. An opinion or disclaimer of opinion as to the fair presentation of the agency's financial statements.
  - b. An opinion or disclaimer of opinion as to whether the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole, when applicable.
  - c. An opinion or disclaimer of opinion as to the fair presentation, in all material respects in relation to the agency's financial statements taken as a whole, of the Division of Administration, Office of Statewide Reporting and Accounting Policy's Annual Fiscal Report packet.
2. A report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. A report on compliance for each major program and a report on internal control over compliance in accordance with Uniform Guidance, when applicable.
4. A summary schedule of findings and questioned costs which shall include:
  - a. A summary of the ICPA's results which shall include:
    - i) The type of report the ICPA issued on the financial statements of the agency.
    - ii) Where applicable, a statement about whether the audit of the financial statements disclosed significant deficiencies in internal control and whether any such deficiencies were material weaknesses.
    - iii) A statement as to whether the audit disclosed any noncompliance that is material to the financial statements of the agency.
    - iv) A statement as to whether a management letter was issued.
    - v) When subject to Uniform Guidance:
      - a) Where applicable, a statement about whether significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit.
      - b) The type of report the ICPA issued on compliance for major programs.
      - c) A statement as to whether the audit disclosed any audit findings required to be reported under Uniform Guidance (2 CFR 200.516(a)).
      - d) An identification of major programs.
      - e) The dollar threshold used to distinguish between Type A and Type B programs, as described in Uniform Guidance (2 CFR 200.518).

- f) A statement as to whether the agency qualified as a low-risk auditee under Uniform Guidance (2 CFR 200.520).
  - b. Findings and questioned costs which are required to be reported in accordance with *Government Auditing Standards* and/or Uniform Guidance, shall be identified by number, shall be presented in sufficient detail for the agency to develop and implement a corrective action plan, and shall include:
    - i) Significant deficiencies in internal control relating to the presented financial statements and, when applicable, significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. For federal purposes, the ICPA's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement. Repeated significant deficiencies and/or material weaknesses shall indicate the number of years the matter has been reported.
    - ii) Material noncompliance with the provisions of law, regulations, contracts, or grant agreements related to the presented financial statements and, where applicable, major programs. For federal purposes, the ICPA's determination of whether a noncompliance with the provisions of federal statutes, regulations, or the terms and conditions of federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement. Repeated instances of noncompliance shall indicate the number of years the matter has been reported.
    - iii) When subject to Uniform Guidance:
      - a) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. The ICPA shall also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program.
      - b) Known questioned costs that are greater than \$25,000 for a federal program that is not audited as a major program. Except for audit follow-up, the ICPA is not required under Uniform Guidance (2 CFR 200) to perform audit procedures for such a federal program.
      - c) The circumstances concerning why the ICPA's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for federal awards.
    - iv) Known or likely fraud.
    - v) Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior findings materially misrepresents the status of any prior audit finding.
  - c. Or, a statement that there are no findings to report.
- 5. A management letter, if applicable, detailing matters not significant or material in relation to the required reports. Only nonmaterial instances of noncompliance and/or control deficiencies shall be included in a management letter.
- 6. A summary schedule of prior findings. The summary schedule shall either include:
  - a. The status of all audit findings and comments included in the prior audit's schedule of findings and questioned costs and/or management letter; and the status of audit findings included in the prior audit's summary schedule of prior findings (except for

findings that were noted as corrected). The summary schedule of prior audit findings must include the reference numbers the auditor assigns to the audit findings under 2 CFR 200.516(c). Since the summary schedule may include findings from multiple years, it must include the fiscal year in which the finding initially occurred. The summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.

- For findings that were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.
  - For findings that were not corrected or only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action as well as any partial corrective action taken.
  - When corrective action taken is significantly different from corrective action previously reported in a corrective action plan, or in the federal agency's or pass-through entity's management decision, or in a response to the Legislative Audit Advisory Council, the summary schedule must provide an explanation for the difference.
  - When the agency believes the audit findings are no longer valid or do not warrant further action, the reasons for this position shall be described in the summary schedule.
- b. Or, a statement that there were no findings to report.
7. Management's corrective action plan (prepared by the agency). The plan must address audit finding and/or management letter comment included in the ICPA's current year reports. The plan shall provide the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date. If the agency does not agree with the findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons. For findings written in accordance with Uniform Guidance, the corrective action plan must include the reference numbers the auditor assigns to the audit findings under 2 CFR 200.516(c). If the agency fails to provide a corrective action plan, the report and/or management letter shall include a statement(s) that management failed to respond to the findings and/or comments.
8. The ICPA further agrees to provide the Division of Administration, Office of Statewide Reporting and Accounting Policy's Annual Fiscal Report packet as supplementary information, where applicable.

### **Report Requirements – Agreed-Upon Procedures**

Each report shall include:

1. An Independent Accountant's Report on Applying Agreed-Upon Procedures
2. A summary schedule of findings or a statement that there are no findings to report.
3. A management letter, if applicable, detailing the following items if detected by the ICPA: internal control deficiencies, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that is not material to the agreed-upon procedures.
4. A summary schedule of prior findings or a statement that there were no prior findings.
5. Management's corrective action plan (prepared by the agency). The plan should address each finding and comment included in the current year report. If the agency fails to provide a corrective action plan, the report shall include a statement that agency failed to respond to the findings and comments.

## **Report Distribution**

Unless otherwise specified in the agency specific information, at the conclusion of the engagement, the ICPA will immediately send:

- One graphical file of the report to the legislative auditor. The report file shall include any management letter, as well as management's corrective action plan. The graphical files shall be created in a .pdf format and submitted electronically through the Auditor's online reporting system: <http://app.la.state.la.us/ewsdtaentry.nsf>.
- A copy of the report to each board member, when there is an oversight board.
- A copy of the report to any legislative oversight committee.
- Ten copies of the report to management of the agency.
- Appropriate distribution required by Uniform Guidance (2 CFR 200.512), when applicable.
- A copy of the report to each state agency providing monies to the agency.
- A copy of the report to any state agency exercising oversight responsibilities.

## **Engagement Documentation**

All engagement documentation (working papers and all correspondence relating to the engagement) shall be retained for a period of five years from the date of the report, unless the ICPA is notified in writing by the legislative auditor or cognizant agency to extend the retention period. All of the documentation shall be available for inspection by the legislative auditor, any successor or principal auditor/accountant, the Louisiana State Board of CPAs, or any other agency recognized within the State of Louisiana to provide a quality assurance function. The ICPA must contact and obtain the express permission of the legislative auditor prior to giving access to engagement documentation to any parties other than those previously named individuals and organizations. All of the documentation will be provided by the predecessor auditor/accountant to the successor auditor/accountant at a cost of no more than \$.20 per copy, with no further fees assessed.

Any ICPA that participates in the SFP process shall:

- As required under professional standards, answer specific inquiries of a potential proposer when those inquiries may affect the proposer's client acceptance decision.
- Upon award of a contract creating a predecessor/successor relationship, the predecessor auditor/accountant shall provide responses to the inquiries required by professional standards. The predecessor auditor/accountant shall make all of the documentation available for review and for copying. This access shall be granted at a mutually convenient time and location, but shall occur within 10 working days of the request. This access includes trial balances, adjusting journal entries, analyses of balance sheet accounts (both current and noncurrent and those relating to contingencies), documentation of the predecessor's understanding of the internal control, documentation of a permanent nature, such as bond amortization schedules and operating and capital leases, and documentation that supports the summary of significant accounting policies.

Any predecessor auditor/accountant that fails to make the engagement documentation available for successor auditor/accountant inspection and copying under rules of the legislative auditor shall be prohibited from participating in the SFP process.

## **Special Conditions**

The following special conditions are required to be a part of the proposal:

- The ICPA will notify the legislative auditor immediately, in writing, if there is any limitation on the scope of the engagement, to include denial of access to books and records or failure to provide the same in a timely manner.
- The ICPA will notify the legislative auditor immediately, in writing, if the ICPA firm decides to withdraw from the engagement. As a part of the notification, the ICPA will describe in detail the reasons leading to the withdrawal.
- The ICPA will notify the legislative auditor immediately, in writing, if any illegal or fraudulent acts are detected.
- The ICPA will notify the legislative auditor immediately, in writing, if the ICPA will be unable to complete an engagement within the required time. As part of the notification, the ICPA will provide all substantive reasons for the delay and an estimate of the revised completion date.
- The ICPA will notify the legislative auditor and state agency being examined immediately, in writing, if the ICPA encounters circumstances that make it necessary for the ICPA to perform added work beyond the scope originally anticipated, before beginning such work. As part of the notification, the ICPA will provide an estimate of the number of additional hours and the resulting fee.
- Should the ICPA decide to reissue the report, the legislative auditor must be notified immediately and the reissued report should be distributed in the same manner as the original report.
- No additional services will be performed for the state agency unless otherwise approved by the legislative auditor.
- The legislative auditor reserves the right to terminate the engagement contract at any time.

## **Legislative Auditor's Authority to Audit**

Under R.S. 24:513(A)(2), the legislative auditor has authority to audit all state agencies included within the state's comprehensive annual financial report. The legislative auditor reserves the right to cancel any and all parts of a contract resulting from this SFP at any time during the duration of the contract.

## **Contract Compliance**

Any deviation from the provisions of the engagement contract shall be submitted by the ICPA to the legislative auditor immediately in writing. Failure to comply with any part of the engagement contract, without appropriate advance approval, will result in the legislative auditor seeking remedial action. Depending on the engagement contract deviation, the remedial action may include (but is not limited to) canceling the engagement contract and/or prohibiting the ICPA from participating in the SFP process.

The completion date for an engagement is a specific contract provision that the legislative auditor will closely monitor compliance. The reports must be completed by and transmitted to the legislative auditor within the time frames included in the agency specific information. Should the ICPA be unable to complete an engagement within the required time, he/she shall notify the legislative auditor immediately in writing, providing all substantive reasons for the delay and an estimate of the revised completion date. Should the legislative auditor determine that such a revised completion date is unacceptable, the legislative auditor shall immediately cancel the contract and engage another ICPA to complete the work within an acceptable completion date.

The cost of any incomplete work for which the ICPA named in the original contract was responsible shall be deducted from the contract fee. To the extent that the amount charged by the ICPA under the new engagement causes the total costs to exceed the original contract price, the agency reserves the right to proceed against the ICPA named in the original contract.

Timeliness will be considered in the award of engagement contracts and/or continuation of any engagement contracts. Failure to complete contracted work within the time periods specified in the contract will result in the firm's elimination from the SFP process as a non-responsive proposer.

### **Monitoring**

It will be the responsibility of the legislative auditor to monitor the successful completion of the engagement. Failure on the part of the ICPA to be responsive to inquiries and requests of legislative auditor's staff will endanger the ICPA's ability to participate in future SFPs and may result in cancellation of the current contract.

### **Manager Rotation**

No ICPA shall be allowed to use the same engagement manager for a specific state agency for a period longer than six consecutive years. After the sixth year of an auditor/client relationship of an ICPA with a specific state agency, there must be a change of engagement managers. An engagement manager is the person who is primarily responsible for the successful completion of the engagement. The engagement manager works independently and does not receive direct supervision, although indirect supervision is received from higher level management. The engagement manager generally:

- Controls, approves, and signs major communications with the agency and may sign communications with the legislative auditor.
- Advises the in-charge auditor/accountant during the planning phase and on the overall approach to the engagement.
- Provides technical assistance and consultation to the in-charge auditor/accountant.
- Reviews and approves the detailed engagement plan and programs and any modifications or amendments thereto.
- Attends entrance and exit conferences.
- Provides overall field supervision, to include review of the engagement documentation as needed and as appropriate depending on the experience of the in-charge auditor/accountant.
- Monitors the progress of the engagement.
- Approves findings and management letter comments.
- Performs a final review of the report draft for compliance with professional standards.
- Assumes responsibility for the correctness and adequacy of the engagement and the report draft.

### **Disadvantaged and Minority Firms**

It is the intent of the legislative auditor to give disadvantaged firms and minority firms the maximum practicable opportunity to participate in contracts to examine state agencies. Disadvantaged firms are firms that have completed three or fewer governmental audits in the past three years (includes firms that have not completed *any* governmental audits in the past three years). Minority firms are firms that are majority owned and controlled by one or more minority individuals or minority business enterprises.

The legislative auditor will give special consideration to such firms in the contract process and to firms competing for engagements who intend to subcontract or jointly perform engagements with disadvantaged and/or minority firms.

### **Incomplete Proposals**

The legislative auditor reserves the right to reject proposals that are incomplete. While not an all inclusive listing, any one of the following will cause the proposal to be considered incomplete:

- The proposal does not identify the state agency, contract period, or engagement periods.
- The proposal significantly departs from the format specified in the “Response to the Solicitation for Proposal.”
- The proposal does not specify the application of *Government Auditing Standards*.
- The proposal has not been signed by the ICPA.
- The proposal does not include the following confirmations:
  - There are no scope limitations.
  - The proposer meets the appropriate state licensing requirements.
  - The proposer meets the applicable independence standard relating to the agency.
  - The proposer has not had a record of substandard audit work nor engaged in unethical practices within the past five years.
  - The proposer has procured appropriate professional liability insurance; and if awarded the contract, will maintain this insurance in full force and effect during the term of the contract; and will provide a true and correct copy of the required policy, together with all endorsements, riders or other additions or attachments to the policy which in any manner limit or restrict coverage to the legislative auditor within ten days of the date of execution of the contract.
- The pricing information is not placed in a sealed envelope.
- The pricing information significantly departs from the format specified in the “Response to the Solicitation for Proposal.”

### **Evaluation**

Proposals will be evaluated using a two step process. The first step involves performing technical evaluations and, based solely on those evaluations, selecting a top group of proposers. The second step involves the awarding of the engagement contract by the evaluation committee. Once the committee is satisfied with the top group of proposers, the pricing envelopes from the top group will be opened. The committee will award the contract to the ICPA submitting the lowest price for the engagement services, subject to the following:

- If there is reason to believe that an unreasonably low proposal has been submitted, the legislative auditor may reject the proposal on the basis that the ICPA is not independent with respect to the state agency.
- Disadvantaged and minority firms will be given consideration to the maximum extent practicable.
- The committee may award the contract to other than the ICPA submitting the lowest price if it determines that there are compelling reasons to do so.

The successful ICPA firm will be notified within 10 working days of the award of the contract. The name of the successful proposer and pricing information will be posted on the legislative auditor’s website.

### **Compensation and Payment**

R.S. 24.517.3 provides that the legislative auditor will pay for the cost of the engagement, to the extent that funds are appropriated by the legislature. Funds have not been appropriated to the legislative auditor to pay for these engagements. Even though the agency will pay for the cost of the engagement, the legislative auditor will control and monitor payment to the ICPA.

Monthly billings will be allowed; however, no more than five billings per engagement period, not to exceed ninety percent of the contract fee for each period, will be permitted until the legislative auditor has received and accepted the report.

Billings (interim and final) should be submitted to both the legislative auditor and the state agency. The state agency will issue a check made payable solely to the legislative auditor. The state agency will then submit the check to the legislative auditor. The legislative auditor, after review and approval of the payment, will then submit a check to the ICPA.

If extraordinary or unusual circumstances are encountered which make it necessary for the ICPA to perform added work beyond the scope originally anticipated, before beginning such work, the ICPA shall immediately report such condition, in writing, to the legislative auditor and the state agency being examined. The ICPA must provide an estimate of the number of additional hours and the resulting fee. The legislative auditor will consider the nature of the additional work and the related cost and will determine whether to amend the engagement contract.