

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures

Year 3 – Fiscal Years Ending 6/30/2019 through 5/31/2020

Instructions

Introduction and General Comments

The Louisiana Legislative Auditor (LLA) has prescribed statewide agreed-upon procedures (AUPs) below, which are intended to represent a minimum level of additional work to be performed at those local entities (local governments and quasi-public organizations, including nonprofits) that meet the legal requirement to have an audit under the Audit Law (i.e., public funds totaling \$500,000 or more in revenues and other sources). **This Year 3 update to the AUPs will be effective for those entities that have fiscal years ending June 30, 2019 through May 31, 2020. Any entity with a fiscal year ending prior to June 30, 2019, has the option of using these updated procedures rather than the Year 2 procedures.**

What’s New? For Year 3, the LLA has added Disaster Recover/Business Continuity to the Written Policies and Procedures category. We have also incorporated recent FAQs into the Instructions and footnotes for clarity.

The AUPs are not intended to address all areas of risk within an entity. Instead, they are designed to address those areas that have resulted in the most frequent incidents of fraud, waste, or abuse of public funds. For Year 3, the LLA has incorporated relevant Frequently Asked Questions and made changes to testing methodologies based on feedback from practitioners. The LLA has also modified procedures and criteria for clarity and efficiency.

The AUPs are to be performed under the AICPA attest standards (Statements on Standards for Attestation Engagements) and *Government Auditing Standards*, and the AUP report must be attached with the audit report that is submitted to the Legislative Auditor’s office (i.e. one Adobe pdf file submitted to the LLA rather than two). The AUPs are required to be performed by the same firm that performs the annual audit; accordingly, a separate “engagement approval form” for the statewide AUP engagement is not required. The LLA is considered to be a specified party to the AUP engagements and accepts the sufficiency of AUP procedures by our acceptance of the standard (audit) engagement approval forms.

All exceptions are to be included in the AUP report with management’s responses/corrective actions. To avoid potential conflicts with the attest standards, we recommend that management prepare a single overall response to the AUP report. If management chooses not to respond to the AUP exceptions at all, the practitioner must include a statement that “management declined to respond to the exceptions or provide a plan of corrective action.” If no exceptions are noted

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when performing a procedure, “no exceptions were found as a result of this procedure” is an acceptable result in the AUP report.

Please note that the results of the AUPs do not change the practitioner’s separate responsibility to report significant deficiencies, material weaknesses, material noncompliance, etc., as part of the regular audit engagement. However, the practitioner should not include the AUP exceptions or internal auditor’s exceptions (or a reference to the exceptions) in the audit report’s schedule of findings, unless an AUP or internal audit exception rises to the level of a significant deficiency or material weakness and is included as a finding for purposes of the audit. Similarly, AUP exceptions should not be copied and pasted as findings in the LLA report submission portal unless they are addressed as findings in the audit report.

Under the attest standards, practitioners are also allowed to report “knowledge of matters outside agreed-upon procedures” within the AUP report if they discover a control deficiency or noncompliance that does not meet the definition of an exception under the AUPs. While the reporting of these matters with the AUP report is at the practitioner’s discretion, the practitioner still has an obligation to consider the associated risk/noncompliance as part of his or her audit.

If the practitioner has gained “knowledge of matters outside agreed-upon procedures” related to fraud, theft, or the pledge/loan/donation of public funds (LA Const. Art. 7, Section 14¹), and the practitioner does not include these matters in either the AUP report or in the audit report, the practitioner **MUST** contact the LLA to discuss before submitting the reports.

Applicability of AUPs

Those local entities that do not meet the legal requirement to have an audit under the Audit Law (i.e., public funds totaling less than \$500,000 in revenues and other sources) are exempt from performing these AUPs. If an entity elects to have an audit but is not required to have an audit under the Audit Law, the entity would be exempt from performing these AUPs.

For purposes of the Audit Law, public funds are generally defined as follows:

- For governmental entities, including non-profits created by a governmental entity to perform the same activities as the governmental entity, **all** revenues and other sources are considered to be public funds.
- For non-profit entities, any funds received from state or local governments, including grants, loans, transfers of property, awards, direct appropriations, and pass-through

¹ Article 7, Section 14 of the Louisiana Constitution prohibits the loan, pledge, or donation of funds, credit, property, or things of value (e.g. cash advances or non-business purchases, regardless of whether they were reimbursed)

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federal funds are considered to be public funds. Public funds also include direct federal funds unless the non-profit receives **only** federal direct funds (i.e. even \$1 of other public funds requires the non-profit to treat federal direct funds as public funds for purposes of the Audit Law). Please note that Medicare and Medicaid funds are considered to be contract/vendor payments and are not considered public funds for non-profits.

If either a governmental or non-profit entity has met the Audit Law threshold, and all or part of the entity's public funds are federal major program funds (either direct or pass-through) tested under the entity's Single Audit during the fiscal period, the entity may exclude those AUP categories that are covered under federal program testing, regardless of whether the federal program testing includes the same procedures or sample sizes. For example, a non-profit entity that has one federal program subject to Single Audit testing may exclude credit cards, travel expenditures, non-payroll disbursements, contracts, and payroll and personnel if these areas are subject to testing under Allowable Costs and Procurement in the OMB Compliance Supplement; however, the entity would still be subject to other AUP areas that are not addressed in the OMB Compliance Supplement (e.g. board or finance committee, bank reconciliations). However, an entity that has other public funds not subject to testing under the Single Audit must still test those funds under the statewide AUPs. In that situation, we recommend selecting sample sizes for the applicable AUP categories from the overall population of transactions and then removing those sample items that fall within Single Audit testing. Alternatively, the practitioner could apply a pro-rata ratio to the statewide AUP sample sizes to accomplish the same goal.

State entities whose financial information is included in the Comprehensive Annual Financial Report of the State of Louisiana, or local entities subject to Act 774 of 2014 (i.e., St. Tammany Parish), are exempt from the AUPs below. Private and parochial schools, as well university foundations, facility corporations, and booster associations, are specifically excluded by law from having to provide audit reports to the LLA and are exempt from the AUPs. Real estate for-profit limited partnership entities have been exempted from the AUPs based on the nature of their operations.

The scope of the AUPs applies to the primary reporting entity and is not required to be extended to discretely presented component units of the entity; however, entities that are discrete component units of a larger government, **and** separately report to the LLA, are individually subject to the AUPs. Discrete component units that separately report to the LLA but have portions of their operations performed by the primary government (e.g. payroll processing) are exempt from those portions of the AUPs relating to the operations performed by the primary government; instead, AUPs performed at the primary government should address those areas (e.g. payroll processing) because the controls exist at the primary government.

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Fiduciary funds should be included within the scope of the AUPs, including agency funds administered by sheriffs or other tax collectors.

For quasi-public organizations, including non-profits, only those AUP areas applicable to public funds administered by the quasi-public organization are required to be included within the scope of the AUP engagement.

School student activity fund accounts may be excluded from testing under the AUPs if they are otherwise addressed in a separately contracted audit or agreed-upon procedures engagement (does not have to include the same procedures as in the statewide agreed-upon procedures). In this situation, the audit or agreed-upon procedures report is already required to be submitted to the LLA as separate engagement and does not need to be attached in the pdf file with the practitioner's audit/AUP report.

Please note that the statewide AUPs included in this document only apply to local governments and quasi-public entities that meet the requirement to have an audit under the Audit Law. The LLA also has 4 other types of agreed-upon procedures engagements that should not be confused with the statewide AUPs, as follows:

- State entity (not “statewide”) agreed-upon procedures are required for certain engagements for entities that are included in the state’s CAFR. These engagements are contracted directly by the LLA’s Financial Audit Services group and do not apply to local governments or quasi-public entities.
- Review/Attest engagements include agreed-upon procedures for local governments and quasi-public entities that differ from the statewide AUPs and only apply to those entities that receive public funds between \$200,000 and \$500,000.
- Act 774 AUPs only apply to local governments and quasi-public entities in St. Tammany Parish that receive public funds of \$75,000 or greater. These agreed-upon procedures are customized by the LLA for each engagement.
- Department of Education Performance Measures AUPs are required for school boards and charter schools.

More than one set of agreed-upon procedures may be required, depending on whether each criteria above has been met. For example, an entity in St. Tammany Parish, with public funds between \$200,000 and \$500,000 would be subject to both the Review/Attest AUPs, as well as the Act 774 AUPs. Similarly, a parish school board with public funds of \$500,000 or greater would be subject to both the statewide AUPs and the Department of Education Performance Measures AUPs.

Rotation of Procedures

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Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3. For example, an entity that had exceptions in 6 categories in Year 1 was required to test those 6 categories again in Year 2. If that same entity still had exceptions in 4 categories tested in Year 2, then the entity would be required to test those 4 categories in Year 3.

This exclusion only applies at the AUP category-level, so if even a single exception to a procedure within a category was noted during the prior year testing, all procedures within the category must be performed again for Year 3. Also, if the entity changed auditors between years, the new practitioner is not required to test those categories that were identified by the prior practitioner as having no exceptions.

If a category was not applicable in Year 1 or Year 2, but is applicable in Year 3 (e.g., entity did not have debt in Year 1 or Year 2 but issued debt in Year 3), then the practitioner must test the category in Year 3.

Please note that the LLA has added a new “disaster recovery/business continuity” procedure under the Written Policies and Procedures category. At a minimum, all practitioners that perform AUPs at an entity for Year 3 must include a Written Policies and Procedures category with the disaster recovery/business continuity procedure, even if the category would have otherwise been rotated off in Year 3. This new requirement only applies to those entities that are subject to AUP testing in Year 3 (i.e., if the entity does not have an AUP reporting requirement to the LLA for Year 3, it is not subject to the disaster recovery/business procedure for Year 3).

The attestation standards for agreed-upon procedures engagements require that the practitioner report exceptions to procedures even when there are compensating controls; however, the LLA does not want to penalize entities for exceptions that do not directly correspond to control risks. Accordingly, if the entity had exceptions within an AUP category in Year 1 or Year 2, based strictly on the wording of the procedure, but the practitioner believes that compensating controls **fully** mitigated the underlying control risk, the entity may exclude that AUP category from testing in Year 3 (the practitioner should maintain documentation of compensating controls in the engagement workpapers).

If the practitioner’s removal of an AUP category impacts another AUP category that is linked to it, the practitioner may modify the procedure(s)/scope to address the discrepancy. For example, if a payroll sample is used for ethics testing and payroll has been rotated off in Year 3, the payroll sample selection procedure must be included under the ethics category.

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For those categories that are not applicable or that are rotated off in Year 3, the practitioner may either (1) exclude the AUP categories from the AUP report, or (2) include the categories and procedures in the AUP report and label the results as “not applicable.” Under either option, the practitioner may need to update the AUP engagement agreement to ensure that the original procedures “agreed-upon” with the client match the final procedures performed and reported upon (i.e., ensuring compliance with AT standards).

If no exceptions were noted in any categories tested during Year 1 or Year 2 (or the entity had compensating controls that fully mitigated the underlying control risks), the statewide AUPs are not required for Year 3. For example, an entity that had exceptions in 6 categories in Year 1 was required to test those 6 categories again in Year 2. If that same entity had no exceptions in the 6 categories tested in Year 2, then the statewide AUPs would not be required for Year 3. If the statewide AUPs are not required for Year 3, the practitioner is not required to test the new Disaster Recovery/Business Continuity procedure under the Written Policies and Procedures category in Year 3. When submitting the audit report packet to the LLA, the practitioner should check the button in the LLA report portal indicating that statewide AUPs were not required.

Options and Alternatives

The practitioner may avoid duplication of existing audit procedures by using the same transactions for both audit and AUP purposes. For example, if the AUPs indicate that 10 random transactions should be selected and the practitioner would otherwise plan to test 25 random transactions as part of the entity’s audit, the practitioner may use the same 10 transactions for both the audit and the AUP engagement.

If the entity employs one or more internal auditors; the practitioner documents reliance upon the internal audit function as part of the entity’s audit; and the internal auditor performs one or more of the specific procedures identified for the same fiscal period (internal auditor is not required to perform procedures under the attest standards); the practitioner does not have to include those specific procedures as part of the scope of the AUP engagement or include in the AUP report. In that situation, the practitioner should perform the remaining AUPs under the attest standards and document in the AUP report, but should not include or reference the internal auditor’s report(s) in the practitioner’s AUP report. The practitioner must include a copy (or copies if the internal auditor has multiple reports that address AUP procedures) of the internal auditor’s procedures performed and exceptions noted when submitting the audit report and AUP report to the LLA. In this situation, all three reports should be submitted to the LLA as one Adobe pdf file, and all three reports will be issued by the LLA as public documents.

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To avoid creating an undue burden on practitioners, the AUPs may be performed for a 12-month “fiscal period” that does not coincide with the entity’s “fiscal year”, as long as the 12-month fiscal period is no more than 3 months prior to the end of the entity’s fiscal year. For example, the practitioner may perform AUPs for the fiscal period April 1, 2018 through March 31, 2019 for an entity with a fiscal year ending June 30, 2019. All AUPs will reference “fiscal period” to mean the 12-months covered by the AUPs. If the entity elects to change its “fiscal period,” the subsequent year of AUP testing must not leave a gap between fiscal periods. For example, a change from a March 31 fiscal period end to a June 30 fiscal period end would require a 15-month AUP engagement in the year of change.

For nonprofit entities, only those AUPs relevant to public monies are required to be included in the scope of the AUP engagement. For example, if a nonprofit receives \$10 million in non-public funds and also receives \$500,000 in public funds, only the \$500,000 would be subject to the AUPs if the funds are not otherwise commingled. In this example, if the nonprofit did not use any of the \$500,000 in public funds for payroll or travel expenses, the portions of the AUPs relating to these areas are not required to be included in the scope of the AUP engagement or report.

If the practitioner believes that the AUPs collectively can not be performed based on the nature of the entity’s operations, please contact the LLA to request an exemption to the AUPs. If a specific procedure can not be performed based on the nature of the entity’s operations, an equivalent procedure may be substituted (e.g., alternate sampling population, alternate method of compiling documentation) at the practitioner’s discretion. Please note that the substitute procedure would need to be included in the AUP report in place of the original procedure, and this change in procedures may require the practitioner to update his or her client engagement agreement accordingly.

For school boards only, the practitioner should consider the deposit site and collection location to be the same if there is a central person (secretary or bookkeeper) through which collections are deposited. The practitioner is only required to test documentation at the secretary/bookkeeper level and is not required to test for completeness of revenues relative to classroom collections by teachers.²

² This exclusion would also apply to procedure #7a below.

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Procedures

Report all exceptions to the following procedures, either after each procedure or after all procedures within each of the twelve AUP categories. “Random” selections may be made using Microsoft Excel’s random number generator or an alternate method selected by the practitioner that results in an equivalent sample (e.g., those methods allowed under the AICPA Audit Guide - *Audit Sampling*).

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):³
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, 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) legal review, (4) approval process, and (5) 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,

³ For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization’s operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.

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(4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Ethics***⁴, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Board or Finance Committee⁵

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.⁶ *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes*

⁴ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

⁵ These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

⁶ Major funds are defined under GASB standards. The related procedure addresses major funds as a way to verify that boards are provided with financial information necessary to make informed decisions about significant entity operations, including proprietary operations that are not required to be budgeted under the LGBA.

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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.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management’s representation that the listing is complete. Ask management to identify the entity’s main operating account. Select the entity’s main operating account and randomly select 4 additional accounts⁷ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections (excluding EFTs)⁸

4. Obtain a listing of deposit sites⁹ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management’s representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations¹⁰ and management’s representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies

⁷ Accounts selected may exclude savings and investment accounts that are not part of the entity’s daily business operations.

⁸ The Collections category is not required to be tested if the entity has a third party contractor performing all collection functions (i.e., receiving collections, preparing deposits, and making deposits).

⁹ A deposit site is a physical location where a deposit is prepared and reconciled.

¹⁰ A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit.

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and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day)¹¹. *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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

¹¹ If “bank reconciliations” have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for bank reconciliations.

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8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]]
10. For each location selected under #8 above, obtain the entity’s non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management’s representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards¹². Obtain management’s representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or

¹² Including credit cards used by school staff for either school operations or student activity fund operations.

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combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that 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) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing)¹³. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Travel and Travel-Related Expense Reimbursements¹⁴ (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to 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 that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those

¹³ For example, if 3 of the 5 cards selected were fuel cards, only 10 transactions would be selected for each of the 2 credit cards. Conceivably, if all 5 cards randomly selected under procedure #12 were fuel cards, Procedure #13 would not be applicable.

¹⁴ Non-travel reimbursements are not required to be tested under this category.

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individuals participating) and other documentation required by written policy (procedure #1h).

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

Contracts

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

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law¹⁵ (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that 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.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

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

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

¹⁵ If the entity has adopted the state Procurement Code, replace “Louisiana Public Bid Law” with “Louisiana Procurement Code.”

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- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management’s representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management’s termination payment calculations, agree the hours to the employee/officials’ cumulate leave records, and agree the pay rates to the employee/officials’ authorized pay rates in the employee/officials’ personnel files.
19. Obtain management’s representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers’ compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics¹⁶

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above¹⁷, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

Debt Service¹⁸

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree

¹⁶ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed.

¹⁷ If “payroll and personnel” have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for payroll and personnel.

¹⁸ This AUP category is generally not applicable to non-profit entities; however, if applicable, the procedures should be performed.

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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).

Other

23. 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.
24. Observe that the entity has posted on its premises¹⁹ and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.²⁰

¹⁹ Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

²⁰ This notice is available for download or print at www.la.gov/hotline.