

**HOUSING AUTHORITY OF  
THE CITY OF SLIDELL**

**Basic  
Financial Statements and  
Supplementary Information**

**March 31, 2023**



**Housing Authority of the City of Slidell**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Slidell  
Slidell, Louisiana

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Slidell (the "Authority"), as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of March 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying financial data schedule and schedules of program costs and advances are presented for purposes of additional analysis as required by U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements of the Authority. The schedule of compensation, benefits and other payments to agency head or chief executive officer are presented for purposes of additional analysis as required by the State of Louisiana, and are not a required part of the financial statements of the Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

September 29, 2023  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Housing Authority of the City of Slidell

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2023

As management of the Housing Authority of the City of Slidell (the "Authority"), we offer the readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2023. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Interim Executive Director, Ron Frazier, Housing Authority of the City of Slidell, 1250 Martin Luther King Drive, Slidell, LA 70458.

#### **Financial Points**

- The assets of the Authority exceeded the liabilities as of March 31, 2023 by \$5,776,461 (net position).
- The Authority's cash balances as of March 31, 2023 were \$2,790,106 representing a decrease of \$336,064.
- The Authority earned revenue from the U.S. Department of Housing and Urban Development ("HUD") of \$3,546,115.
- Public Housing had an occupancy rate of 87.6%.

#### **Overview of Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in the Authority's net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any authority, the reader must also consider other non-financial factors such as changes in client household composition, fluctuations in the local economy, HUD mandated program administrative changes and the physical condition of capital assets. The following statements are included:

- Statement of Net Position - this statement reports the Authority's assets less its liabilities at the end of the fiscal year. You can think of the Authority's net position as the difference between the Authority's rights (assets) and the Authority's obligations (liabilities).
- Statement of Revenues, Expenses, and Changes in Net Position - this statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in the future periods.
- Statement of Cash Flows - this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt service, prior period obligations, etc.). The statement reflects the receipt or disbursement of cash that was obligated to or paid by the Authority in prior periods and subsequently received or paid during the current fiscal year (i.e. receivables and payables).

## Overview of Financial Statements (continued)

- Notes to the Basic Financial Statements - the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Authority may face.

In addition to the basic financial statements listed above, our report includes supplementary information. This information is to provide more detail on the Authority's various programs and the required information mandated by regulatory bodies that fund the Authority's various programs.

## Financial Analysis

### Statement of Net Position

	2023	2022	Net change
Current assets, net	\$ 3,157,582	\$ 3,514,880	\$ (357,298)
Capital assets, net	2,765,411	3,036,508	(271,097)
Total assets	5,922,993	6,551,388	(628,395)
Current liabilities	139,443	114,979	24,464
Other noncurrent liabilities	7,089	5,885	1,204
Total liabilities	146,532	120,864	25,668
Net investment in capital assets	2,765,411	3,036,508	(271,097)
Restricted net position	1,123,424	1,301,456	(178,032)
Unrestricted net position	1,887,626	2,092,560	(204,934)
Total net position	\$ 5,776,461	\$ 6,430,524	\$ (654,063)

**Net Current Assets** decreased by \$357,298 primarily due to the decrease in cash of \$336,064. The decrease in cash is mainly due to an operating loss and purchase of capital assets.

**Net Capital Assets** decreased by \$271,097 due to current year depreciation expense offset by \$80,096 of capital additions.

**Current liabilities** increased by \$24,464 primarily due to an increase in unearned revenue of \$46,691 and a decrease in accounts payable of \$30,573. The unearned revenue mainly relates to a FEMA grant that was received but not yet spent.

**Financial Analysis (continued)**

**Net Position** - The difference between an organization's assets and its liabilities is its net position. Net position is categorized into three components.

1. Net investment in capital assets - the Authority's capital assets, net of accumulated depreciation and related debt.
2. Restricted - the component of the Authority's net position which is subject to constraints imposed by law or agreement.
3. Unrestricted - the component of the Authority's net position that is neither invested in capital assets nor restricted which increase principally due to operations. These resources are available to meet the Authority's ongoing obligations to its residents and creditors.

**Changes in Net Position**

	<u>2023</u>	<u>2022</u>	<u>Net change</u>
Operating revenue:			
HUD revenue	\$ 3,546,115	\$ 4,214,269	\$ (668,154)
Other revenue, net	818,632	964,990	(146,358)
Total operating revenue	<u>4,364,747</u>	<u>5,179,259</u>	<u>(814,512)</u>
Operating expenses:			
Administrative	549,132	602,659	(53,527)
Tenant services	3,368	1,460	1,908
Utilities	98,730	92,901	5,829
Maintenance	370,993	348,177	22,816
Protective services	53,104	47,405	5,699
General	222,808	191,704	31,104
Depreciation	351,193	344,167	7,026
Housing assistance payments	3,375,623	3,533,870	(158,247)
Total operating expenses	<u>5,024,951</u>	<u>5,162,343</u>	<u>(137,392)</u>
Operating income (loss)	(660,204)	16,916	(677,120)
Nonoperating revenues			
Interest income - unrestricted	6,141	398	5,743
Change in net position	(654,063)	17,314	(671,377)
Total net position - beginning	6,430,524	6,519,581	(89,057)
Prior period adjustment	-	(106,371)	106,371
Total net position - ending	<u>\$ 5,776,461</u>	<u>\$ 6,430,524</u>	<u>\$ (654,063)</u>

**HUD Revenue** decreased by \$668,154 mainly due to a decrease in Housing Choice Voucher funding of \$512,230 and a decrease in CARES Act funding of \$111,612 that was fully expended in the prior year.



### **Financial Analysis (continued)**

**Total Operating Expenses** decreased by \$137,392. This decrease was primarily due to decreases in administrative expense of \$53,527 and a decrease in HAP expense of \$158,247. The decrease in administrative expense was mainly due to reductions of legal and office expenses.

### **Capital Asset and Debt Activity**

Net Capital Assets decreased by \$271,097 due to current year depreciation expense of \$351,193 offset by \$80,096 of capital additions.

At the end of the fiscal year 2023, the Authority had no long-term debt.

### **Factors Affecting Next Year's Budget**

The Authority is dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher and Capital Fund programs; therefore, the Authority is affected by the federal budget. Other portions of the Authority's portfolio, for instance, affordable housing sites and/or third party contract work, are affected more by national and local economic conditions.

Under the terms of its Annual Contributions Contract, the Authority receives operating and capital fund subsidies from HUD. On July 27, 2021, the Authority reached a settlement agreement in the litigation against HUD. The terms of the agreement stipulated that HUD would remove the zero-threshold status which was imposed, and grant the Authority immediate access to the operating funds which HUD had held since 2017. Further, HUD agreed to allow the Authority to request an extension of the deadline to obligate Capital Fund grants which were previously held as a result of the zero-threshold status. As of the date of this report, the Authority is still working towards fully receiving its obligated Capital Fund grant funding.

### **Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development;
- Local labor supply and demand, which can affect salary and wage rates;
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income;
- Inflationary pressure on utility rates, housing costs, supplies and other costs;
- Trends in the current housing market.

Housing Authority of the City of Slidell

STATEMENT OF NET POSITION

March 31, 2023

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	\$ 1,575,969
Cash and cash equivalents - restricted	1,214,137
Receivables, net	162,610
Due from HUD	103,152
Prepaid expenses	101,714
Total current assets	<u>3,157,582</u>

**NONCURRENT ASSETS**

Capital assets, net	<u>2,765,411</u>
Total assets	<u>5,922,993</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	33,374
Accrued salaries and benefits	5,941
Accrued compensated absences	6,779
Tenant security deposits	44,416
Unearned revenue	48,933
Total current liabilities	<u>139,443</u>

**NONCURRENT LIABILITIES**

Accrued compensated absences	<u>7,089</u>
Total liabilities	<u>146,532</u>

**NET POSITION**

Net investment in capital assets	2,765,411
Restricted	1,123,424
Unrestricted	1,887,626
Total net position	<u>\$ 5,776,461</u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Slidell

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended March 31, 2023

<b>OPERATING REVENUES</b>	
HUD operating revenues	\$ 3,546,115
Tenant revenue, net	364,297
Portability revenue	419,494
Other operating revenue	34,841
Total operating revenues	<u>4,364,747</u>
<b>OPERATING EXPENSES</b>	
Administrative	549,132
Tenant services	3,368
Utilities	98,730
Maintenance	370,993
Protective services	53,104
General	222,808
Depreciation	351,193
Housing assistance payments	3,375,623
Total operating expenses	<u>5,024,951</u>
<b>OPERATING LOSS</b>	(660,204)
<b>NONOPERATING REVENUES</b>	
Interest income - unrestricted	6,141
Change in net position	<u>(654,063)</u>
Total net assets - beginning	<u>6,430,524</u>
Total net position - ending	<u><u>\$ 5,776,461</u></u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Slidell

STATEMENT OF CASH FLOWS

For the year ended March 31, 2023

**CASH FLOWS FROM OPERATING ACTIVITIES**

Collections from HUD operating grants	\$ 3,643,304
Collections from tenants	378,132
Collections from other sources	434,255
Payments to employees	(316,913)
Payments to suppliers	(1,025,264)
Housing assistance payments	<u>(3,375,623)</u>
Net cash used in operating activities	<u>(262,109)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	6,141
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING  
ACTIVITIES**

Purchase of property and equipment	<u>(80,096)</u>
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**NET DECREASE IN CASH**

Cash at beginning of the year	<u>3,126,170</u>
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**CASH AT END OF THE YEAR**

<u>\$ 2,790,106</u>
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**AS PRESENTED ON THE ACCOMPANYING STATEMENT OF  
NET POSITION**

Cash and cash equivalents - unrestricted	\$ 1,575,969
Cash and cash equivalents - restricted	<u>1,214,137</u>
	<u>\$ 2,790,106</u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Slidell

STATEMENT OF CASH FLOWS (continued)

For the year ended March 31, 2023

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED IN OPERATING ACTIVITIES**

Operating loss	\$ (660,204)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	351,193
Change in provision for allowance of doubtful accounts	23,040
(Increase) decrease in assets and deferred outflows:	
Receivables, net	(34,435)
Due from HUD	48,256
Prepaid expenses	(15,627)
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	(30,573)
Accrued expenses	(2,242)
Accrued salaries and benefits	1,678
Accrued compensated absences	2,722
Tenant security deposits	5,150
Unearned revenue	48,933
Net cash used in operating activities	<u>\$ (262,109)</u>

The accompanying notes are an integral part of this financial statement.

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

The Housing Authority of the City of Slidell (the "Authority") is a political subdivision of the State of Louisiana established on March 11, 1967, pursuant to the laws of the State of Louisiana, to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development ("HUD") and other Federal Agencies. The primary purpose of the Authority is to provide safe, decent, sanitary, and affordable housing to low-income, elderly, and disabled families in Slidell, Louisiana.

The Authority is not a component unit of the City, as defined in Governmental Accounting Standards Board's ("GASB") *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, *Defining the Financial Reporting Entity*, as the Board independently oversees the Authority's operations.

The definition of the reporting entity as described by GASB Codification Section 2100 is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The Authority's reporting entity is comprised of an enterprise fund which includes the activities of several housing programs.

The Authority is a related organization of the City of Slidell since Commissioners are appointed by the Mayor of the City of Slidell. The City of Slidell is not financially accountable for the Authority as it cannot impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Slidell. Accordingly, the Authority is not a component unit of the City of Slidell.

2. Government-wide and fund financial statements

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities rely, to a significant extent, on fees and charges for support.

Governments use fund accounting, whereby funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund net position, revenues and expenditures/expenses.

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating activities generally arise from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of rental charges to tenants and operating grants from the U.S. Department of Housing and Urban Development ("HUD"), and include, to a lesser extent, certain operating amounts of capital grants that offset operating expenses. Operating expenses for the Authority include the cost of administrative, tenant services, general, maintenance, utilities, protective services, depreciation and housing assistance payments. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

3. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

For financial reporting purposes, the Authority considers its grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than non-operating activities. Grants associated with capital acquisition and improvements are considered capital contributions and are presented after non-operating activity on the accompanying statement of revenues, expenses and changes in net position. The Authority maintains its accounts in accordance with the chart of accounts prescribed by HUD.

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus and basis of accounting (continued)

As provided by GASB Codification Section P80.115, *Proprietary Fund Accounting and Financial Reporting: Defining Operating Expenses*, and related guidance, tenant revenue is reported net of accounts written off in the amount of \$23,040.

4. Summary of HUD programs

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD at the Authority. A summary of each significant program is provided below.

*Low Rent Public Housing Programs*

The Authority provides housing to eligible families under leasing arrangements. The Authority manages two affordable sites, Washington Heights and Country Gardens Estates. Washington Heights encompasses 75 one, two and three-bedroom units. Country Gardens Estates is for elderly families and consists of 50 one-bedroom units.

The purpose of the public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments/units are acquired, developed and modernized under HUD's Development and Capital Fund programs. Funding of the program operations and development is provided by federal annual contributions, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

*Housing Assistance Payments ("HAP") Programs*

HAP Programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. The Section 8 Housing Choice Voucher program ("HCV") is funded through federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants.

5. Budgets

Budgets are prepared on an annual basis for each program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor required in the basic financial statement presentation.



**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Assets, liabilities and net position

a. *Cash and cash equivalents*

For financial statement purposes cash and cash equivalents are considered to be amounts in demand deposits, interest-bearing demand deposits, and time deposits and other investments with original maturities of three months or less. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

b. *Receivables and amounts due from HUD*

Receivables, net consist of revenues earned at year-end and not yet collected. Amounts presented as due from HUD principally result from grant revenue being accrued for allowable program expenses not yet funded. Other receivables consist of tenant receivables, portability receivables for the housing assistance payments programs and receivables from various parties in the normal course of business. An allowance for uncollectible amounts is estimated by management based on historical collection experience and a review of the current status of accounts receivable (see Note B-2).

c. *Prepaid items*

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items on the Authority's statement of net position.

d. *Capital assets*

The Authority's policy is to capitalize assets with a value in excess of \$5,000 and a useful life in excess of two years. The Authority capitalizes the costs of site acquisition and improvement, structures, infrastructure, equipment and direct development costs meeting the capitalization policy. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and contributed assets are valued at fair value on the date contributed. When land, buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Buildings and improvements	15 - 40 years
Equipment - dwelling and administration	3 - 7 years

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Assets, liabilities and net position (continued)

*e. Tenant security deposits*

Tenant security deposits are deposits held by the Authority that are required of tenants before they are allowed to move into an Authority owned site. The Authority records this cash as restricted, with an offsetting liability, as these funds may be reimbursable to the tenant when they move out.

*f. Accrued compensated absences*

Compensated absences are those absences for which employees will be paid, such as annual vacation and sick leave. A liability for compensated absences for annual/vacation leave that is attributable to services already rendered and that is not contingent on a specific event, outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place. In accordance with the provisions of GASB Codification Section C60, *Compensated Absences*, the estimated liability for vested leave benefits is recorded when it is earned as an expense and the cumulative unpaid amount is reported as a liability.

*g. Unearned revenues*

Unearned revenues include amounts collected before revenue recognition criteria are met and generally consist of prepaid tenant rents and subsidy received before the amounts are earned.

*h. Eliminations*

For financial reporting purposes, certain amounts are internal and are therefore eliminated in the accompanying basic financial statements. In the normal course of operations, certain programs may pay for common costs or advance funds for operations that create interprogram receivables or payables. The interprogram receivables and payables net to zero and as of March 31, 2023, \$320,186 is eliminated for the presentation of the Authority as a whole.

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Assets, liabilities and net position (continued)

*i. Net position*

In accordance with GASB Codification Section 1800.155, *Reporting Net Position in Government-Wide Financial Statements*, total equity as of March 31, 2023, is classified into three components of net position:

*i.) Net investment in capital assets*

This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.

*ii.) Restricted component of net position*

This category consists of components of net position restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The statement of net position of the Authority reports \$1,123,424 of restricted net position which consists of cash restricted for modernization and development of \$703,411 and HCV HAP reserves of \$420,013 (see Note B-1).

*iii.) Unrestricted component of net position*

This category includes all of the remaining net position that does not meet the definition of the other two components. Certain amounts of unrestricted net position, even though categorized as unrestricted in accordance with generally accepted accounting standards, are still programmatically restricted based on the funding streams provided by HUD.

7. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Income taxes

The Authority is a governmental entity and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Impairment of long-lived assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally are measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written-off. Management has determined that long-lived assets were not impaired at March 31, 2023.

10. Financial data schedule

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The schedule's format presents certain operating items as non-operating such as depreciation expense, housing assistance payments and extraordinary maintenance expense. In addition, the schedule's format includes non-operating items as operating such as investment revenue, HUD capital grants revenue, gains and losses on the disposal of fixed assets and interest expense. Furthermore, the schedule reflects tenant revenue and bad debt expense separately.

11. Leasing activities

The Authority is the lessor of dwelling units to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the leases only for cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within tenant revenue. Primarily all of the capital assets of the Authority are for these leasing activities except for administrative offices and equipment.

Under GASB Statement No. 87, *Leases*, the determination of whether an arrangement is a lease is made at the lease's inception and a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having the right to direct the use of the asset. Management only reevaluates its determination if the terms and conditions of the contract are changed. Management determined that there were no significant impacts to the financial statements as a result of the implementation of this standard.

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

12. Impact of recently issued accounting policies

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement is effective for the Authority's March 31, 2024 fiscal year end.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This statement is effective for the Authority's March 31, 2025 fiscal year end.

Management is currently evaluating the impact of the adoption of these statements on the Authority's basic financial statements.

**NOTE B - DETAILED NOTES**

1. Deposits and investments

As of March 31, 2023, the Authority's cash consist of cash accounts with carrying amounts of \$2,790,106.

In accordance with GASB Codification Section C20, *Cash Deposits with Financial Institutions*, the Authority's exposure to deposit and investments risk is disclosed as follows:

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does have a deposit policy for custodial credit risk, which requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of March 31, 2023, none of the Authority's bank balance was exposed to custodial credit risk.

*Restricted deposits*

As of March 31, 2023 restricted cash and cash equivalents consist of the following:

Current:		
HCV HAP reserves	\$	420,013
Modernization and development		703,411
FEMA grant advances		46,297
Tenant security deposits		44,416
		<hr/>
Total restricted cash	\$	<u>1,214,137</u>

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE B - DETAILED NOTES (continued)**

2. Receivables, net

As of March 31, 2023, receivables, net consist of:

Portability receivables	\$	160,786
Tenant receivables		3,227
Total receivables		164,013
Allowance for doubtful accounts - tenants		(1,403)
	\$	162,610

3. Due from HUD

As of March 31, 2023, due from HUD consists of \$103,152 of operating subsidy which was earned by the Authority through its Annual Contributions Contract ("ACC") with HUD that have been earned but not yet received.

4. Capital assets, net

A summary of changes in capital assets, net is as follows:

	Balance at April 1, 2022	Transfers in/ Additions	Transfers out/ Deletions	Balance at March 31, 2023
Non-depreciable:				
Land	\$ 779,855	\$ -	\$ -	\$ 779,855
Depreciated:				
Buildings and improvements	8,968,669	12,848	-	8,981,517
Equipment - dwelling	445,982	67,248	-	513,230
Equipment - administration	226,103	-	-	226,103
Total depreciated	9,640,754	80,096	-	9,720,850
Total capital assets	10,420,609	80,096	-	10,500,705
Less accumulated depreciation				
Buildings and improvements	(6,779,644)	(329,105)	-	(7,108,749)
Equipment - dwelling	(413,649)	(18,219)	-	(431,868)
Equipment - administration	(190,808)	(3,869)	-	(194,677)
Total accumulated depreciation	(7,384,101)	(351,193)	-	(7,735,294)
Capital assets, net	\$ 3,036,508	\$ (271,097)	\$ -	\$ 2,765,411

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the year ended March 31, 2023**

**NOTE B - DETAILED NOTES (continued)**

5. Noncurrent liabilities

A summary of changes in noncurrent liabilities is as follows:

	Payable at April 1, 2022	Additions	Reductions	Payable at March 31, 2023	Current portion
Compensated absences	\$ 11,146	\$ 14,349	\$ (11,627)	\$ 13,868	\$ 6,779

6. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of the Authority's risk management program. The Authority carries commercial insurance, for risks of loss regarding workers' compensation, employee health and general liability.

7. Commitments and contingencies

*a. Legal*

Generally, the Authority is party to various pending or threatened legal actions arising from the normal course of operations. As of the date of this report, management is not aware of any such instances.

*b. Grants and contracts*

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. As of the date of this report, management is not aware of any such examinations.

*c. Funds awarded*

The Authority received funding from HUD through the Capital Fund program to help subsidize the cost of project repairs, improvements and certain operating costs. As of March 31, 2023, the Authority had unspent awards of \$1,388,453 for Capital Fund program.

**Housing Authority of the City of Slidell**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended March 31, 2023**

**NOTE B - DETAILED NOTES (continued)**

8. Concentrations

As of and for the year ended March 31, 2023, 81% of revenues and 39% of the receivables reflected in the basic financial statements are from HUD.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes. In addition, any excess reserves may reduce future funding levels and possibly be subject to recapture.

9. Subsequent events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 29, 2023, the date the financial statements were available to be issued and has determined that no material events occurred that would require disclosure.



**SUPPLEMENTARY INFORMATION**

Housing Authority of the City of Slidell

FINANCIAL DATA SCHEDULE

For the year ended March 31, 2023

PHA: LA103 FYED: 03/31/2023							
Line Item No.	Account Description	Public and Indian Housing 14.850	Public Housing Capital Fund 14.872	Section 8 Housing Choice Voucher Program 14.871	Presidentially Declared Disasters 97.036	Eliminations	Total
111	Cash - Unrestricted	1,224,550	-	351,419	-	-	1,575,969
112	Cash - Restricted - Modernization and Development	703,411	-	-	-	-	703,411
113	Cash - Other Restricted	-	-	420,013	-	-	420,013
114	Cash - Tenant Security Deposits	44,416	-	-	-	-	44,416
115	Cash - Restricted for payment of current liability	-	-	-	46,297	-	46,297
100	<b>Total Cash</b>	<b>1,972,377</b>	<b>-</b>	<b>771,432</b>	<b>46,297</b>	<b>-</b>	<b>2,790,106</b>
121	Accounts Receivable - PHA Projects	-	-	160,786	-	-	160,786
122	Accounts Receivable - HUD	103,152	-	-	-	-	103,152
126	Accounts Receivable - Tenants Dwelling Rents	3,227	-	-	-	-	3,227
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(1,403)	-	-	-	-	(1,403)
120	<b>Total Receivables, net of allowances for doubtful accounts</b>	<b>104,976</b>	<b>-</b>	<b>160,786</b>	<b>-</b>	<b>-</b>	<b>265,762</b>
142	Prepaid Expenses and Other Assets	89,814	-	11,900	-	-	101,714
144	Interprogram due from	320,186	-	-	-	(320,186)	-
150	<b>Total Current Assets</b>	<b>2,487,353</b>	<b>-</b>	<b>944,118</b>	<b>46,297</b>	<b>(320,186)</b>	<b>3,157,582</b>
161	Land	779,855	-	-	-	-	779,855
162	Buildings	8,981,517	-	-	-	-	8,981,517
163	Furniture, Equipment & Machinery - Dwellings	513,230	-	-	-	-	513,230
164	Furniture, Equipment & Machinery - Administration	195,269	-	30,834	-	-	226,103
166	Accumulated Depreciation	(7,712,610)	-	(22,684)	-	-	(7,735,294)
160	<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	<b>2,757,261</b>	<b>-</b>	<b>8,150</b>	<b>-</b>	<b>-</b>	<b>2,765,411</b>
180	<b>Total Non-Current Assets</b>	<b>2,757,261</b>	<b>-</b>	<b>8,150</b>	<b>-</b>	<b>-</b>	<b>2,765,411</b>
190	<b>Total Assets</b>	<b>5,244,614</b>	<b>-</b>	<b>952,268</b>	<b>46,297</b>	<b>(320,186)</b>	<b>5,922,993</b>
290	<b>Total Assets and Deferred Outflows of Resources</b>	<b>5,244,614</b>	<b>-</b>	<b>952,268</b>	<b>46,297</b>	<b>(320,186)</b>	<b>5,922,993</b>
312	Accounts Payable <= 90 Days	29,337	-	4,037	-	-	33,374
321	Accrued Wage/Payroll Taxes Payable	4,998	-	943	-	-	5,941
322	Accrued Compensated Absences	3,885	-	2,894	-	-	6,779
341	Tenant Security Deposits	44,416	-	-	-	-	44,416
342	Unearned Revenues	2,636	-	-	46,297	-	48,933
347	Interprogram Due To	-	-	320,186	-	(320,186)	-
310	<b>Total Current Liabilities</b>	<b>85,272</b>	<b>-</b>	<b>328,060</b>	<b>46,297</b>	<b>(320,186)</b>	<b>139,443</b>
354	Accrued compensated Absenses - Non Current	3,686	-	3,403	-	-	7,089
350	<b>Total Noncurrent Liabilities</b>	<b>3,686</b>	<b>-</b>	<b>3,403</b>	<b>-</b>	<b>-</b>	<b>7,089</b>
300	<b>Total Liabilities</b>	<b>88,958</b>	<b>-</b>	<b>331,463</b>	<b>46,297</b>	<b>(320,186)</b>	<b>146,532</b>
508.4	Net investment in capital assets	2,757,261	-	8,150	-	-	2,765,411
511.4	Restricted net position	703,411	-	420,013	-	-	1,123,424
512.4	Unrestricted net position	1,694,984	-	192,642	-	-	1,887,626
513	<b>Total Equity</b>	<b>5,155,656</b>	<b>-</b>	<b>620,805</b>	<b>-</b>	<b>-</b>	<b>5,776,461</b>
600	<b>Total Liabilities, Deferred inflows of Resources and Equity</b>	<b>5,244,614</b>	<b>-</b>	<b>952,268</b>	<b>46,297</b>	<b>(320,186)</b>	<b>5,922,993</b>

See independent auditor's report

Housing Authority of the City of Slidell

FINANCIAL DATA SCHEDULE

For the year ended March 31, 2023

PHA: LA103 FYED 03/31/2023								
Line Item No	Account Description	Public and Indian Housing 14,850	Public Housing Capital Fund 14,872	Section 8 Housing Choice Voucher Program 14,871	Presidentially Declared Disasters 97,036	Eliminations	Total	
70300	Net Tenant Rental Revenue	382,642	-	-	-	-	382,642	
70400	Tenant Revenue - Other	4,695	-	-	-	-	4,695	
70500	Total Tenant Revenue	387,337	-	-	-	-	387,337	
70600	HUD PHA Grants	396,466	-	3,149,649	-	-	3,546,115	
71100	Investment Income - Unrestricted	4,589	-	1,552	-	-	6,141	
71500	Other revenue	34,841	-	419,494	-	-	454,335	
70000	Total Revenue	823,233	-	3,570,695	-	-	4,393,928	
91100	Administrative Salaries	126,486	-	102,087	-	-	228,573	
91200	Auditing Fees	55,000	-	55,000	-	-	110,000	
91500	Employee Benefit Contributions - Administrative	17,146	-	12,369	-	-	29,515	
91600	Office Expenses	83,669	-	78,484	-	-	162,153	
91700	Legal Expense	4,695	-	1,785	-	-	6,480	
91800	Travel	6,824	-	5,006	-	-	11,830	
91900	Other	555	-	26	-	-	581	
92400	Tenant Services - Other	3,368	-	-	-	-	3,368	
93100	Water	35,787	-	2,068	-	-	37,855	
93200	Electricity	21,964	-	6,486	-	-	28,450	
93600	Sewer	30,329	-	2,096	-	-	32,425	
94100	Ordinary Maintenance and Operations - Labor	43,041	-	-	-	-	43,041	
94200	OMO - Materials and Other	59,058	-	-	-	-	59,058	
94300	Ordinary Maintenance and Operations - Contract Costs	263,059	-	-	-	-	263,059	
94500	Employee Benefit Contributions - Ordinary Maintenance	5,835	-	-	-	-	5,835	
95200	Protective Services - Other Contract Costs	52,834	-	-	-	-	52,834	
95300	Protective Services - Other	95	-	175	-	-	270	
96110	Property Insurance	172,436	-	13,365	-	-	185,801	
96120	Liability Insurance	4,782	-	4,782	-	-	9,564	
96130	Workmen's Compensation	4,869	-	3,673	-	-	8,542	
96140	All Other Insurance	250	-	250	-	-	500	
96200	Other General Expenses	-	-	4,052	-	-	4,052	
96210	Compensated Absences	7,932	-	6,417	-	-	14,349	
96400	Bad Debt - Tenant Rents	23,040	-	-	-	-	23,040	
96900	Total Operating Expenses	1,023,054	-	298,121	-	-	1,321,175	
97000	Excess Operating Revenue over Operating Expenses	(199,821)	-	3,272,574	-	(199,821)	3,072,753	
97300	Housing Assistance Payments	-	-	2,981,840	-	-	2,981,840	
97350	HAP Portability-in	-	-	393,783	-	-	393,783	
97400	Depreciation Expense	349,263	-	1,930	-	-	351,193	
90000	Total Expenses	1,372,317	-	3,675,674	-	-	5,047,991	
10000	Excess (deficiency) of total revenue over (under) total expenses	(549,084)	-	(104,979)	-	-	(654,063)	
11020	Required annual debt principal payment	-	-	-	-	-	-	
11030	Beginning Equity	5,704,740	-	725,784	-	-	6,430,524	
11040	Total Prior Period Adjustments, Equity transfer and correction of errors	-	-	-	-	-	-	
11190	Unit Months Available	1,456	-	7,380	-	-	8,836	
11210	Number of Unit Months Leased	1,276	-	4,921	-	-	6,097	
11170	Administrative Fee Equity	-	-	200,792	-	-	200,792	
11180	Housing Assistance Payments Equity	-	-	420,013	-	-	420,013	
11270	Excess Cash	1,523,602	-	-	-	-	1,523,602	

See independent auditor's report

Housing Authority of the City of Slidell

SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

For the year ended March 31, 2023

<b>PROGRAM</b>	<u>501-17</u>	<u>501-18</u>	<u>501-19</u>	<u>501-20</u>	<u>501-21</u>	<u>501-22</u>	<u>Total</u>
<b>BUDGET</b>	<u>\$ 140,051</u>	<u>\$ 215,805</u>	<u>\$ 225,704</u>	<u>\$ 242,510</u>	<u>\$ 253,483</u>	<u>\$ 310,900</u>	<u>\$ 1,388,453</u>
<b>ADVANCES</b>							
Cash receipts - prior years	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash receipts - current year	-	-	-	-	-	-	-
Cumulative as of March 31, 2023	-	-	-	-	-	-	-
<b>COSTS</b>							
Prior years, restated	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Cumulative as of March 31, 2023	-	-	-	-	-	-	-
<b>RECEIVABLE DUE FROM HUD</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

Housing Authority of Slidell

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO  
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

For the year ended March 31, 2023

<b>Agency Head Name:</b>	Shelia Danzey	Ronald Frazier
<b>Position of the Slidell Housing Authority:</b>	Executive Director	Interim Executive Director
<b>Date Range:</b>	4/1/2022 - 11/9/2022	11/9/2022 - 3/31/2023

Purpose	Amount	Amount	Total
Salary (retainer)	\$ 45,000	\$ 19,800	\$ 64,800
Benefits-insurance	\$ 591	\$ -	\$ 591
Benefits-retirement	\$ 11,500	\$ -	\$ 11,500
Benefits-deferred comp	\$ -	\$ -	\$ -
Car allowance	\$ -	\$ -	\$ -
Vehicle provided by government	\$ -	\$ -	\$ -
Per diem	\$ -	\$ -	\$ -
Reimbursements	\$ 5,946	\$ 21	\$ 5,967
Travel	\$ -	\$ -	\$ -
Registration fees	\$ -	\$ -	\$ -
Conference travel	\$ -	\$ -	\$ -
Continuing professional education fees	\$ -	\$ -	\$ -
Housing	\$ -	\$ -	\$ -
Unvouchered expenses	\$ -	\$ -	\$ -
Special meals	\$ -	\$ 1,716	\$ 1,716

See independent auditor's report.

**SINGLE AUDIT INFORMATION**

**Housing Authority of the City of Slidell**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year ended March 31, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures
<u>Direct from the U.S. Department of Housing and Urban</u>		
<u>Development:</u>		
Housing Voucher Cluster:		
Section 8 Housing Choice Voucher Program	14.871	\$ 3,149,649
Public and Indian Housing	14.850	396,466
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 3,546,115</b>

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and local assistance includes federal grant activity of the Housing Authority of the City of Slidell and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Housing Choice Voucher Program, AL No. 14.871, to be considered an expenditure for the purposes of this schedule. Therefore, the amount in this schedule is the total amount received directly from HUD.

**NOTE 2 - INDIRECT COST RATE**

The Authority did not elect to use the 10-percent de minimis indirect cost rate.

**NOTE 3 - SUB-RECIPIENTS**

During the year ended March 31, 2023, the Authority had no sub-recipients.

**NOTE 4 - NONCASH ASSISTANCE AND OTHER**

The Authority did not receive any noncash assistance, federal loans, or federally funded insurance during the year ended March 31, 2023.

See independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Housing Authority of the City of Slidell  
Slidell, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Slidell (the "Authority"), as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 29, 2023.

**Report on Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 29, 2023  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners  
Housing Authority of the City of Slidell  
Slidell, Louisiana

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Housing Authority of the City of Slidell's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended March 31, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

September 29, 2023  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

Housing Authority of the City of Slidell

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended March 31, 2023

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiency identified? **None reported**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiency identified? **None reported**

Type of auditor's report issued on compliance for major programs:

**Public and Indian Housing - Unmodified**

**Housing Voucher Cluster - Unmodified**

There are no additional audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).

The programs tested as major programs are as follows:

Public and Indian Housing - AL Number 14.850

Housing Voucher Cluster

The threshold for distinguishing types A and B programs was **\$750,000**.

Did the auditee qualify as a low-risk auditee? **No**.

B. FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS AUDIT

**None**

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

**None**

Housing Authority of the City of Slidell

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the year ended March 31, 2023

D. PRIOR YEAR AUDIT FINDINGS

**2022-001 Delayed Financial Reporting**

*Significant Deficiency in Internal Control*

*Other Matter required to be reported in accordance with Government Auditing Standards*

Condition: The audit financial statements were completed after the State statutory deadline of September 30, 2022.

Auditor Recommendations: The Authority should ensure that an audit firm is engaged and the engagement acceptance application is timely submitted to the Louisiana Legislative Auditor to allow for the completion of the audited financial statements by the September 30<sup>th</sup> deadline of each fiscal year.

Current Year Status: Cleared.

**2022-002 Special Tests and Provisions - Legal Services Contract**

Public and Indian Housing - AL 14.850

*Material Weakness in Internal Control*

*Material Noncompliance*

Condition: The Authority paid \$388,797 in legal expenses without obtaining approval from HUD.

Auditor Recommendations: The Authority should ensure that it has an understanding and follows all PIH Notices and HUD regulations that are applicable.

Current Year Status: Cleared.

**2022-003 Special Tests and Provisions - Public Housing Inspections**

Public and Indian Housing - AL 14.850

*Material Weakness in Internal Control*

*Material Noncompliance*

Condition: The Authority did not conduct annual inspections of its Low Rent Public Housing units.

Auditor Recommendations: The Authority should conduct inspections of its Low Rent Public Housing units annually in accordance with HUD requirements to comply with the housing stock being decent, safe, sanitary and in good repair.

Current Year Status: Cleared.

Housing Authority of the City of Slidell

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (continued)

For the year ended March 31, 2023

D. PRIOR YEAR AUDIT FINDINGS (continued)

**2022-004 Reporting - Section 8 Management Assessment Program (SEMAP)**

Housing Voucher Cluster  
*Material Weakness in Internal Control*  
*Material Noncompliance*

Condition: During our testing of the Section 8 Management Assessment Program (“SEMAP”), it was noted that the Authority lacked the proper documentation and organization to support the self-assessed score that was reported for each indicator, regarding the minimum sample size and the sampling methodology from the correct universe in an unbiased manner.

Auditor Recommendations: The Authority should assign SEMAP responsibilities to a responsible person and provide sufficient training to complete an accurate and complete certification with supporting documentation that meets the requirements of the HUD rules and regulations. The Authority needs to provide the appropriate documentation and support for testing for each of the SEMAP indicators. The Authority should also develop a system to maintain the organization of this documentation which should clearly support the self-assessed scores reported on SEMAP. We recommend SEMAP testing be performed throughout the year and that the Authority use the SEMAP performance analysis to assess and improve their own program operations and performance.

Current Year Status: Cleared.

**2022-005 Procurement**

Public and Indian Housing - AL 14.850  
Housing Voucher Cluster  
*Material Weakness in Internal Control*  
*Material Noncompliance*

Condition: During our audit, we noted multiple disbursements made to vendors who did not have contracts that were properly procured in accordance with the Authority’s policies and HUD rules and regulations. In addition, the procurement files tested only had one quote, which did not follow the Authority’s small purchase procedure.

Auditor Recommendations: The Authority should follow its procurement policy regarding small purchase procedures and sealed bids to verify they are in compliance with HUD rules and regulations. In addition, we recommend that the Authority reduce the bidding thresholds in their policy to levels that are more reflective of the amounts that are appropriate for a small agency.

Current Year Status: Cleared.



## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners  
Housing Authority of the City of Slidell  
Slidell, Louisiana  
and Louisiana Legislative Auditor:

We have performed the procedures listed below, which were agreed to by The Housing Authority of the City of Slidell (the "Authority") and the Louisiana Legislative Auditor ("LLA") on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures Year 5 ("SAUPs") for the fiscal period April 1, 2022 through March 31, 2023. The Authority's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

A description of the detailed SAUPs are listed in Addendum A:

The associated results and conclusions are as follows:

### ***Written Policies and Procedures***

The Authority was unable to provide a policy for Debt Service. There were no other exceptions noted relating to written policies and procedures.

**Authority response:** The Authority follows all debt service procedures required by the U.S. Department of Housing and Urban Development. The Authority does not have debt agreements but will adopt written procedures to comply with governmental requirements.



### ***Board or Finance Committee***

The Authority held Board meetings monthly. They are not on the governmental accounting model, therefore no budget-to-actual comparisons were required or performed. There were no exceptions noted.

### ***Bank Reconciliations***

The Authority's bank reconciliations were complete and contained the required approvals. The Authority had proper separation of duties. There were no exceptions noted.

### ***Collections***

The Authority does not accept cash. The Authority has two collection sites and receipts are properly deposited, posted and reconciled. The individuals who collect the payments do not post to the general ledger. The Authority's documentation addresses all controls implemented and executed over collections. There were no exceptions noted.

### ***Non-Payroll Disbursements***

The Authority's procedures over the disbursement process properly addressed all required testing attributes. There were no exceptions noted.

### ***Credit Cards***

The Authority's procedures over credit card transactions require proper approvals before any disbursements were processed. All support contained the appropriate approvals and the Authority did not pay interest or late fees. There were no exceptions noted.

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

The Authority has a written travel policy that is within GSA rate requirements. The Authority did not have any travel throughout the fiscal year. There were no exceptions noted.

### ***Contracts***

The Authority's contracts were in accordance with the Authority's procurement policies and legal requirements. All contract amendments were properly allowed, approved and supported. There were no exceptions noted.

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

The Authority has sufficient controls over the payroll and personnel processes. All payroll checks tested contained proper pay rates, taxes, and documentation of leave. The Authority does not currently have an active retirement plan. There were no exceptions noted.

### ***Ethics***

The Authority provided support for all ethics requirements. There were no exceptions noted.

**Debt Service**

The Authority does not have any debt agreements as of or for the year ended March 31, 2023.

**Fraud Notice**

The Authority did not have any instances of fraud or misappropriation of funds to report.

**Information Technology Disaster Recovery/Business Continuity**

The Authority has performed and provided recent documentation of backup of critical data and has tested and verified that the data can be restored as needed. We inspected five computers and all of them had anti-virus software installed. There were no exceptions noted.

**Sexual Harassment**

The Authority provided support for all sexual harassment training requirements for all current employees. There were no exceptions noted.

**Other**

The Authority has reported no misappropriation of funds during the audit period and has properly posted all notices as required by R.S. 24:523.1. There were no exceptions noted.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely for the information and use of the Authority and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

September 29, 2023  
Melbourne, FL

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## **ADDENDUM A**

# STATEWIDE AGREED-UPON PROCEDURES

FISCAL YEARS ENDING 12/31/2022  
THROUGH 11/30/2023

LOCAL GOVERNMENT SERVICES

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# INSTRUCTIONS

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## **Introduction**

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 not-for-profit organizations) that meet the legal requirement to have an audit under the Audit Law<sup>1</sup> (i.e., public funds totaling \$500,000 or more in revenues and other sources). **This update to the AUPs will be effective for those entities that have fiscal years ending December 31, 2022 through November 30, 2023 (Year 5).**

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.

The AUPs are applicable to all fund types (governmental, proprietary, and fiduciary, including custodial funds administered by sheriffs or other tax collectors). But see the [Single Audit](#) and [School Activity Fund](#) exemption sections following.

As has been in place since 2021, all entities not exempt from performing the AUPs as stated within the Applicability of AUPs section of this document are required to perform all AUP categories.

## **What's New?**

- Procedure 2 (Board or Finance Committee): Added a Board oversight component to solving audit findings;
- Procedure 5 (Non-Payroll Disbursements): Added to observe that only authorized check signers approve the electronic disbursement of funds;
- Procedure 10 (Ethics): Added to inquire whether the agency has appointed an Ethics designee;
- Procedure 13 (Information Technology Disaster Recovery/Business Continuity): Added to observe evidence that the agency's backup of critical data was not stored on the local server or network; and
- Procedure 13 (Information Technology Disaster Recovery/Business Continuity): Added to observe that terminated employees have been removed or disabled from the network.

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<sup>1</sup> R.S. 24:511-24:559

Additionally, edits have been made to other AUP categories, existing instructions, footnotes, and Frequently Asked Questions (FAQs).

### **Applicable Auditing Standards**

The AUPs are to be performed in accordance with attestation standards (Statements on Standards for Attestation Engagements; SSAEs) established by the American Institute of Certified Public Accountants (AICPA) 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 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 acknowledges that the procedures performed are appropriate for our purposes by our acceptance of the standard audit engagement approval forms.

### **Reporting AUP Findings**

*Findings* are the factual results of the procedures performed, including sufficient details of any exceptions found. All exceptions found, other than those related to Information Technology Disaster Recovery/Business Continuity, are to be included in the AUP report with management's responses/corrective actions. To avoid potential conflicts with the attestation standards, we recommend that management prepare a single overall response to the AUP report. If management chooses **not** to respond to the AUP findings at all, the practitioner must include a statement that "management declined to respond to the findings or provide a plan of corrective action." If no exceptions are found when performing a procedure, "no exceptions were found as a result of this procedure" is an acceptable result in the AUP report.

To avoid the possible exposure of entity information technology vulnerabilities, we ask that results of the Information Technology Disaster Recovery/Business Continuity AUP testing (Procedure 13) be discussed with management and **not shown within the AUP report**. Instead, we ask that each procedure under the Information Technology Disaster Recovery/Business Continuity AUP category be followed by the statement, "**We performed the procedure and discussed the results with management.**" *Note: The practitioner should maintain documentation of Information Technology Disaster Recovery/Business Continuity AUP testing and subsequent results in the engagement workpapers.*

The LLA does not intend to penalize entities for exceptions that do not directly correspond to control risks. Accordingly, if the practitioner found exceptions within



an AUP category, based strictly on the wording of the procedure, but the practitioner believes that compensating controls **fully** mitigated the underlying control risk, the entity may report no exceptions. The practitioner should maintain documentation of compensating controls in the engagement workpapers.

### **Statewide Agreed-Upon Procedures Exceptions and the Schedule of Audit Findings**

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 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.

### **Knowledge of Matters Outside Agreed-Upon Procedures**

Under the attestation standards, the practitioner need not perform procedures beyond the procedures agreed to and acknowledged by the engaging party to be appropriate for the intended purpose of the engagement. If, in connection with the application of the procedures and through the completion of the engagement, matters come to the practitioner's attention by other means that significantly contradict the subject matter referred to in the practitioner's report, the practitioner should discuss the matter with the engaging party and take appropriate action, including determining whether the practitioner's report should be revised to disclose the matter. While the reporting of these matters within the AUP report is at the practitioner's discretion, the practitioner still has an obligation to consider the associated risk/noncompliance as part of the 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 14<sup>2</sup>), 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.

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<sup>2</sup> 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).

### **Applicability of AUPs – Local Governments and Quasi-Public Entities**

These AUPs are applicable to all local governments and quasi-public entities defined in R.S. 24:513(A)(1)(b) paragraphs i through iii and v as follows:

- i. An organization, either not-for-profit or for-profit, created by the state of Louisiana or any political subdivision or agency thereof, any special district or authority, or unit of local government to perform a public purpose.*
- ii. An organization, either not-for-profit or for-profit, that is a component unit of a governmental reporting entity, as defined under generally accepted accounting principles.*
- iii. An organization, either not-for-profit or for-profit, created to perform a public purpose and having one or more of the following characteristics:*
  - aa. The governing body is elected by the general public.*
  - bb. A majority of the governing body is appointed by or authorized to be appointed a governmental entity or individual government official as a part of his official duties.*
  - cc. The entity is the recipient of the proceeds of an ad valorem tax or general sales tax levied specifically for its operations.*
  - dd. The entity is able to directly issue debt, the interest on which is exempt from federal taxation.*
  - ee. The entity can be dissolved unilaterally by a governmental entity and its net assets assumed without compensation by that governmental entity.*
- v. Any organization, either not-for-profit or for-profit, which is subject to the open meetings law and derives a portion of its income from payments received from any public agency or body.*

For **multi-state quasi-public entities**, the AUPs are applicable for only Louisiana funds. For example, if a multi-state agency with Louisiana offices has a payroll function that is not funded with Louisiana funds, then the payroll AUP section would not be applicable.

### **Applicability of AUPs - Component Units**

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 primary 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 (payroll processing, for example) 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.

### **Applicability of AUPs –Not-for-Profit Entities**

These AUPs are applicable **to only the public funds** of not-for-profit entities defined in R.S. 24:513(B)(1)(b)(iv) as follows:

- iv. *Any not-for-profit organization that receives or expends any local or state assistance in any fiscal year. Assistance shall include grants, loans, transfers of property, awards, and direct appropriations of state or local public funds. Assistance shall not include guarantees, membership dues, vendor contracts for goods and services related to administrative support for a local or state assistance program, assistance to private or parochial schools except as provided in R.S. 17:4022, assistance to private colleges and universities, or benefits to individuals.*

In addition, these AUPs are applicable to the not-for-profit entities defined in paragraph iv above only if their revenues and other sources of **public funds** total at least \$500,000. Only those AUP areas applicable to **public funds** administered by the not-for-profit entity are required to be included in the scope of the AUP engagement. The [Reporting Requirements for Not-for-Profit Organizations](#) document may be useful in identifying public assistance, calculating revenues and other sources of funds, and determining which type of report not-for-profit entities are required to submit to the LLA.

For **multi-state not-for-profit entities**, the AUPs are applicable for only Louisiana funds. For example, if a multi-state not-for-profit entity with New York offices has a payroll function that is funded with Louisiana funds, then the payroll AUP section would be applicable.

### **AUP Exemption – Single Audit**

If either a governmental, quasi-public entity or not-for-profit entity (collectively known as “local auditee”) has met the \$500,000 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 not-for-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 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 AUP sample sizes to accomplish the same goal.

### **AUP Exemption – School or Student Activity Funds**

School or 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 (which does not have to include the same procedures as in the AUPs). In this situation, the audit or agreed-upon procedures report is required to be submitted to the LLA as a separate engagement and is not required to be included in the pdf file with the practitioner’s audit/AUP report.

### **AUP Exemption - Coronavirus State and Local Fiscal Recovery Funds Recipients (CSLFR)**

LLA will not require a local auditee to provide for the statewide agreed-upon procedures report for fiscal years in which the local auditee would be required to provide for a review/attestation report, if not for the receipt of CSLFR funds. See Assistance Listing Number 21.027 table, as explained in Audit Risk Alert 46. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-46-change-in-sa-and-saup-requirement-for-cslfrrecipients-table.pdf>

### **Other Entities Exempt from the AUPs**

State entities whose financial information is included in the Annual Comprehensive Financial Report of the State of Louisiana are exempt from the AUPs below.

Private and parochial schools, as well as 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 are exempt from the AUPs based on the nature of their operations.

### **Statewide AUPs Compared with Other Required AUP Types**

Please note that the statewide AUPs included in this document apply only to local governments and quasi-public entities that meet the requirement to have an audit under the Audit Law. The LLA also has 3 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 Annual Comprehensive Financial Report. 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 apply only to those entities that receive public funds of at least \$200,000 but not more than \$499,999.
- 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 criterion above has been met. For example, 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.

### **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.

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, 2022 through March 31, 2023 for an entity with a fiscal year ending June 30, 2023. 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.

### **Using the Work of Internal Auditors or Other Practitioners**

In compliance with SSAE 19, the procedures to be enumerated or referred to in the practitioner’s report should be performed by the engagement team or other practitioners and not by internal auditors.

Internal auditors may prepare schedules and accumulate data or provide other information for the practitioner's use in performing the procedures. Also, internal auditors may perform and report separately on procedures that they have carried out. Such procedures may be similar to those that a practitioner may perform under this section.

A practitioner may perform procedures on information documented in the working papers of internal auditors. For example, the practitioner may do the following:

- Repeat all or some of the procedures, or
- Determine whether the internal auditor’s documentation indicates procedures performed and whether the findings documented are presented in a report by the internal auditors.

It is inappropriate for the practitioner to do the following:

- Merely read the internal auditors' report solely to describe or repeat their findings;
- Take responsibility for all or a portion of any procedures performed by internal auditors by reporting those findings as the practitioner's own; or
- Report in any manner that implies shared responsibility for the procedures with the internal auditors.

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 findings observed 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 pdf file, and all three reports will be issued by the LLA as a public document. If the practitioner

believes the AUPs collectively cannot 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 cannot 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. The substitute procedure is required 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.

**Special Consideration for School Boards**

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 required to test documentation at the secretary/bookkeeper level only and is not required to test for completeness of revenues relative to classroom collections by teachers.<sup>3</sup>

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<sup>3</sup> This exclusion would also apply to procedure #4D(i) below.

# PROCEDURES

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Report all findings to the following procedures, either after each procedure or after all procedures, within each of the fourteen 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*).

## **1) Written Policies and Procedures**

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- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:<sup>4</sup>
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
  - ii. **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.
  - iii. **Disbursements**, including processing, reviewing, and approving.
  - iv. **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).
  - v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
  - vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

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<sup>4</sup> For governmental organizations, the practitioner may eliminate those categories and subcategories not applicable to the organization's operations. For quasi-public organizations, including nonprofits, the practitioner may eliminate those categories and subcategories not applicable to public funds administered by the quasi-public.



- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics<sup>5</sup>**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

## **2) Board or Finance Committee<sup>6</sup>**

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- A. 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

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<sup>5</sup> The Louisiana Code of Governmental Ethics (Ethics Code) is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If the Ethics Code is applicable to a nonprofit, the nonprofit should have written policies and procedures relating to ethics.

<sup>6</sup> These procedures are not applicable to entities managed by a single elected official, such as a sheriff or assessor.

- i. 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.
- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds<sup>7</sup>, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds<sup>8</sup> if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- iii. 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.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.<sup>9</sup>

### **3) Bank Reconciliations**

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- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts<sup>10</sup> (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 each selected account, and observe that:

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<sup>7</sup>Proprietary fund types are defined under GASB standards and include enterprise and internal service funds. The related procedure addresses these funds as a way to verify that boards are provided with financial information necessary to make informed decisions about entity operations, including proprietary operations that are not required to be budgeted under the Local Government Budget Act.

<sup>8</sup> R.S. 24:513 (A)(1)(b)(iv) defines public funds.

<sup>9</sup> No exception is necessary if management's opinion is that the cost of taking corrective action for findings related to improper segregation of duties or inadequate design of controls over the preparation of the financial statements being audited exceeds the benefits of correcting those findings.

<sup>10</sup> Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

#### **4) Collections (excluding electronic funds transfers)<sup>11</sup>**

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- A. Obtain a listing of deposit sites<sup>12</sup> 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).
- B. For each deposit site selected, obtain a listing of collection locations<sup>13</sup> and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
  - i. Employees responsible for cash collections do not share cash drawers/registers;
  - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
  - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

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<sup>11</sup> The Collections category is not required to be performed if the entity has a third-party contractor performing all collection functions (e.g., receiving collections, preparing deposits, and making deposits).

<sup>12</sup> A deposit site is a physical location where a deposit is prepared and reconciled.

<sup>13</sup> 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. For example, in a school district a collection location may be a classroom and a deposit site may be the school office. 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.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.<sup>14</sup>
  - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - iii. Trace the deposit slip total to the actual deposit per the bank statement.
  - iv. Observe that the deposit was made within one business day of receipt<sup>15</sup> at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
  - v. Trace the actual deposit per the bank statement to the general ledger.

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

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- A. 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).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that

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<sup>14</sup> The practitioner is not required to test for completeness of revenues relative to classroom collections by teachers.

<sup>15</sup> As required by Louisiana Revised Statute 39:1212.

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
- ii. At least two employees are involved in processing and approving payments to vendors;
- iii. 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;
- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

*[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]*

- C. For each location selected under procedure #5A 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
  - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
  - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

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## **6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)**

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- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards<sup>16</sup>. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
  - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
  - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #7B 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 (e.g., each card should have 10 transactions subject to inspection)<sup>17</sup>. 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 observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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<sup>16</sup> Including cards used by school staff for either school operations or student activity fund operations.

<sup>17</sup> For example, if 3 of the 5 cards selected were fuel cards, transactions would only be selected for each of the 2 credit cards. Conceivably, if all 5 cards randomly selected under procedure #7B were fuel cards, procedure #7C would not be applicable.

## **7) Travel and Travel-Related Expense Reimbursements<sup>18</sup> (excluding card transactions)**

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- A. 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 and 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
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov));
  - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
  - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
  - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

## **8) Contracts**

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- A. 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. *Alternatively, 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
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law<sup>19</sup> (e.g., solicited quotes or bids, advertised), if required by law;

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<sup>18</sup> Non-travel reimbursements are not required to be inspected under this category.

<sup>19</sup> If the entity has adopted the state Procurement Code, replace "Louisiana Public Bid Law" with "Louisiana Procurement Code."

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- iv. 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.

## **9) Payroll and Personnel**

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- A. Obtain a listing of employees and officials<sup>20</sup> employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
  - i. Observe that all selected employees or officials<sup>21</sup> documented their daily attendance and leave (e.g., vacation, sick, compensatory);
  - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
  - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
  - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

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<sup>20</sup> "Officials" would include those elected, as well as board members who are appointed.

<sup>21</sup> Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.



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

## **10) Ethics<sup>22</sup>**

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- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
  - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

## **11) Debt Service<sup>23</sup>**

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

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<sup>22</sup> The Louisiana Code of Governmental Ethics (Ethics Code) is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If the Ethics Code is applicable to a nonprofit, the procedures should be performed.

<sup>23</sup> This AUP category is generally not applicable to nonprofit entities. However, if applicable, the procedures should be performed.

## **12) Fraud Notice<sup>24</sup>**

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- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

## **13) Information Technology Disaster Recovery/Business Continuity**

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- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
  - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
  - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
  - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C.

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<sup>24</sup> Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs and the notice is available for download at [www.la.gov/hotline](http://www.la.gov/hotline)

Observe evidence that the selected terminated employees have been removed or disabled from the network.

#### **14) Prevention of Sexual Harassment<sup>25</sup>**

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- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
  - i. Number and percentage of public servants in the agency who have completed the training requirements;
  - ii. Number of sexual harassment complaints received by the agency;
  - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
  - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - v. Amount of time it took to resolve each complaint.

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<sup>25</sup> While it appears to be a good practice for charter schools to ensure it has policies and training for sexual harassment, charter schools do not appear required to comply with the Prevention of Sexual Harassment Law (R.S. 42:341 et seq). An individual charter school, through the specific provisions of its charter, may mandate sexual harassment training.