



**Date**  
November 3, 2022

**Time**  
11:20 AM – 12:10 PM

**Instructors**  
Diane B. Allison, CPA,  
CGMA, CGFO, Director of  
Local Government  
Services

**Location**  
Live-Streamed and  
Onsite at Louisiana  
Immersive Technologies  
Enterprise (LITE)

**Method of Delivery**  
Classroom instruction

**Learning Level**  
Basic

**CPE Hours**  
1.0 Hours

**CPA Subject Matter**  
Accounting and Auditing

**Prerequisite**  
None

## The True Value of Statewide Agreed-Upon Procedures

### Description

Statewide agreed-upon procedures (SAUPs) are designed to look at those areas at most risk of fraud. Learn how these procedures can help local governments improve their internal controls and deter fraudsters.

### Objectives

To provide an overview of SAUPs:

- Understand the value and purpose
- Learn procedures to improve controls
- Review actual frauds and show how the SAUPs address these high-risk areas and this may deter fraudsters

### Who Will Benefit

- Elected Officials/Appointed Officials
- Local Government Employees/Local Government Auditors

### About the Instructor

Diane Allison joined the Louisiana Legislative Auditor's office in May 2021 as the Director of Local Government Services, having served as chief financial officer in three different local governments for a combined total of 17 years. LLA's Local Government Services oversees the work of more than 200 independent CPA firms that conduct over 3,600 audits and other types of engagements, prepares fiscal and actuarial notes for the Louisiana Legislature, educates local governments on governmental accounting and internal controls, and performs various advisory services. Diane's areas of expertise are accounting and financial reporting, financial management, budgeting, fiscal policies, school activity funds, accounting for the expenditure of tax-exempt bond proceeds, tax and fiscal compliance, and internal controls. Diane has over 30 years of accounting experience, including for-profit manufacturing, not-for-profit, public accounting, and local government sectors. She has been a Certified Public Accountant for over 20 years and also holds certifications as a Chartered Global Management Accountant and Certified Government Finance Officer. Diane has presented at national, state, and regional accounting conferences, including the American Institute of CPAs (AICPA), Society of Louisiana Certified Public Accountants (LCPA), Government Finance Officers Association (GFOA), Accounting and Financial Women's Alliance, and both the Southern and Louisiana Associations of School Business Officials. In addition, she has written articles for various professional publications. She has served on and chaired various LCPA state and chapter committees. She currently is Chair of the national GFOA Accounting, Auditing, and Financial Reporting committee; serves on the LCPA state and local Governmental Accounting and Auditing committee; President-Elect of the Accounting and Financial Women's Alliance, New Orleans Chapter; and board member of the Women in Public Finance, Louisiana chapter.

# The True Value of Statewide Agreed-Upon Procedures



Presented by:  
Diane B. Allison, CPA, CGMA, CGFO  
Director of Local Government Services  
November 3, 2022

## Better Information, Better Louisiana

Our mission is to foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information.



## The True Value

- Internal controls: what they are and why they're important
- Statewide agreed-upon procedures (SAUPs) for Year 5
- ACFE 2022 Report to the Nations
- Frauds in Louisiana
- Future of statewide agreed-upon procedures
- General comments

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## Top 10 Audit Findings for Local Governments in 2021

1. Inadequate internal controls, improper segregation of duties
2. Noncompliance with the Local Government Budget Act
3. Inadequate grant administration
4. Inadequate reconciliations
5. Incomplete or poor accounting records and documentation
6. Late filing of the audit report with the Legislative Auditor
7. Failure to provide financial reports to the governing body
8. Inadequate or lack of written policies and procedures
9. Noncompliance with bond covenants
10. Noncompliance with the Open Meetings Law; failure to file and pay payroll taxes timely

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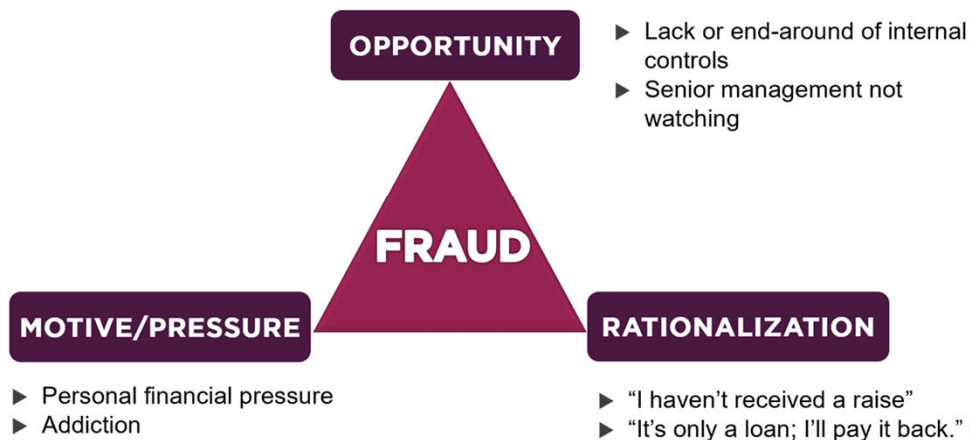
## Types of Internal Control Findings

1. Amounts don't agree with supporting documentation
2. Lack of evidence of approvals
3. Inaccurate data entry (coding, dates, etc.)
4. Failure to follow written policies and procedures
5. Failure to comply with Single Audit internal control requirements
6. Lack of evidence of reviews
7. Failure to reconcile, incorrect reconciliations, untimely reconciliations
8. Improper segregation of incompatible duties (custody, authorization, recording, reconciling), inadequately trained staff
9. Lack of controls over leave (no records, no written policy, no approval, no deductions from balances, etc.)
10. Unlimited computer and software access

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## The Key is to Reduce the Opportunity



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## Internal Control Defined



Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

Committee of Sponsoring Organizations (COSO)

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## Levels of Internal Controls

- **Entity level**
  - Governance controls
    - Control environment
    - Organization-wide policies and procedures
    - Controls over management override
    - Controls to monitor other controls
  - Management oversight controls
    - Enterprise risk management process
    - Centralized processing
    - Controls to monitor operational performance
    - Some period-end controls
- **Process level**
  - Supervision
  - Monitoring
  - Oversight
  - Performance evaluations
  - Key account reconciliations
  - Inventory counts
- **Transaction level**
  - Documentation requirements
  - Segregation of duties
  - Authorizations
  - Software application controls

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## Soft and Hard Controls

### Soft Controls

- Competence
- Trust
- Shared values
- Strong leadership
- High expectations
- Openness
- High ethical standards

### Hard Controls

- Policies and procedures
- Organizational structure
- Bureaucracy
- Restrictive formal processes
- Centralized decision making

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## Key, Secondary, and Compensating Controls

- **Key controls** must operate effectively to reduce a significant risk to an acceptable level
  - Tone at the top, variance thresholds, account reconciliations
- **Secondary controls** help the process run smoothly but aren't essential
  - Performance indicators, acceptable range
- **Compensating controls** make up for the lack of an expected control
  - Close supervisory review when have inadequate segregation of duties

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## Preventive and Detective Controls

**Preventive controls** deter undesirable events from occurring

- Such as limiting access
- Strongest type of control, can be difficult to design, and may not be economical or efficient

**Detective controls** discover undesirable events after they have occurred

- Need to be timely

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## Control Activities

- Ethical tone at the top
- Organizational structure that promotes flow of information
- Clear definition of responsibilities
- Delegation of authority
- Methods for holding people accountable
- Qualified and well-trained personnel
- Positive, motivating work environment
- Effective empowerment of employees
- Atmosphere of mutual trust
- Frequent interaction between senior and operating management
- Appropriate policies for hiring, training, promoting, and compensating employees
- Written policies and procedures\*
- Performance standards
- Authorizations\*
- Review financial and performance indicators\*
- Independent verification of performance\*

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## Control Activities

- Reconciliations\*
- Security for assets and records
- Supervisory review
- Segregation of incompatible duties (at least 2 eyes on every transaction)\*
- Checklists
- Compliance programs
- Forms controls (prenumbered, integrity of numerical sequence, limited access)\*
- Exception reports\*
- Data security\*
- IT environment controls (heat, humidity, fire extinguishers)
- Backup and recovery policies and procedures\*
- Disaster recovery and business continuity plans
- Input controls (validation, error notification, completeness checks, etc.)
- Processing controls (edit checks, control totals, etc.)
- Output controls (reviews, change reports)\*
- Software license compliance

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## Internal Control Roles and Responsibilities

- The **CEO** (Mayor, President, Superintendent, Sheriff, etc.) has primary responsibility for the system of internal controls
- The **governing body** (council) oversees management and provides direction
- **Internal auditors** independently validate management's assertions
- **Everyone** in the organization has responsibility for internal control – risk assessment and performance
- **Outside parties** (external auditor, vendors and contractors, customers)

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## Statewide Agreed-Upon Procedures (SAUPs)

1. Written policies and procedures
- 2. Board or finance committee**
3. Bank reconciliations
4. Collections
- 5. Non-payroll disbursements**
- 6. Travel and travel-related expense reimbursements**
7. Credit, debit, fuel, and purchase cards
8. Contracts
9. Payroll and personnel
- 10. Ethics**
11. Debt service
12. Fraud notice
- 13. IT disaster recovery/business continuity**
14. Prevention of sexual harassment

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## Changes for Year 5

1. Added a Board oversight component to solving audit findings (#2)
2. For electronic payments, ensuring that if two signatures are needed on checks, then two signatories authorize the electronic payment (#5)
3. Added a procedure to check that the same travel-related expense is not both charged on a purchase card and reimbursed to an individual (#6)
4. Added to verify that someone has been appointed the Ethics designee as required by law (#10)
5. Added a procedure to verify that no terminated employees still have access to the network (#13)
6. Added that the backup should not be on the network (#13)

Effective for fiscal years ending 12/31/2022 through 11/30/2023

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## Association of Certified Fraud Examiners 2022 Report to the Nations

- The typical organization loses 5% of revenues in a given year as a result of fraud
- **Asset misappropriation (stealing or misusing resources) was by far the most common form of occupational fraud, occurring in more than 86% of cases, with a median loss of \$100,000**
- Median losses for **governments** were \$56,000 for state and \$125,000 for local governments
- Check and payment tampering schemes and billing schemes posed the greatest risk based on their relative frequency and median loss
- **Median duration of frauds was 12 months** (shortened through active detection methods)
- Most common concealment methods were creating fraudulent physical documents and altering physical documents
- **Most common detection method was tips**

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## Association of Certified Fraud Examiners 2022 Report to the Nations

- The following fraud schemes were more prevalent in smaller organizations (less than 100 employees) than larger ones:
  - Billing
  - Check and payment tampering
  - **Expense reimbursements**
  - **Payroll**
  - **Skimming**
  - Financial statement fraud
  - Cash on hand
  - **Cash larceny**
  - **Register disbursements**

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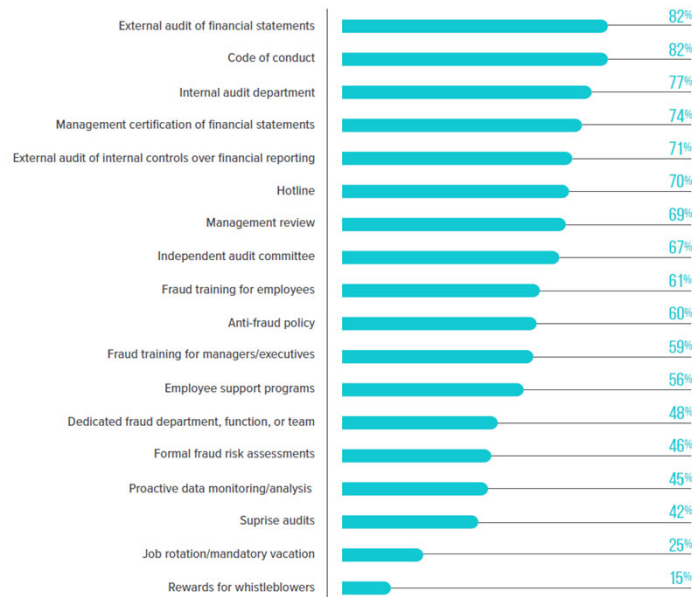
## Association of Certified Fraud Examiners 2022 Report to the Nations

- Most represented sectors were (1) banking and financial services, **(2) government and public administration**, and (3) manufacturing industries
- **Small organizations had a significantly lower implementation rate of anti-fraud controls than large organizations**
- The presence of anti-fraud controls correlated with both lower fraud losses (5% - 54%) and quicker detection (20% - 56%)
- **The most prominent organizational weakness that contributed to the frauds was a lack of internal controls**

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## Most Common Anti-Fraud Controls



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## Association of Certified Fraud Examiners 2022 Report to the Nations

- **Active Detection Methods**

- Document examination
- Internal audit
- Management review
- Account reconciliations
- Surveillance/monitoring
- Automated transaction/data monitoring

- **Can be Active or Passive**

- External audit
- Tips

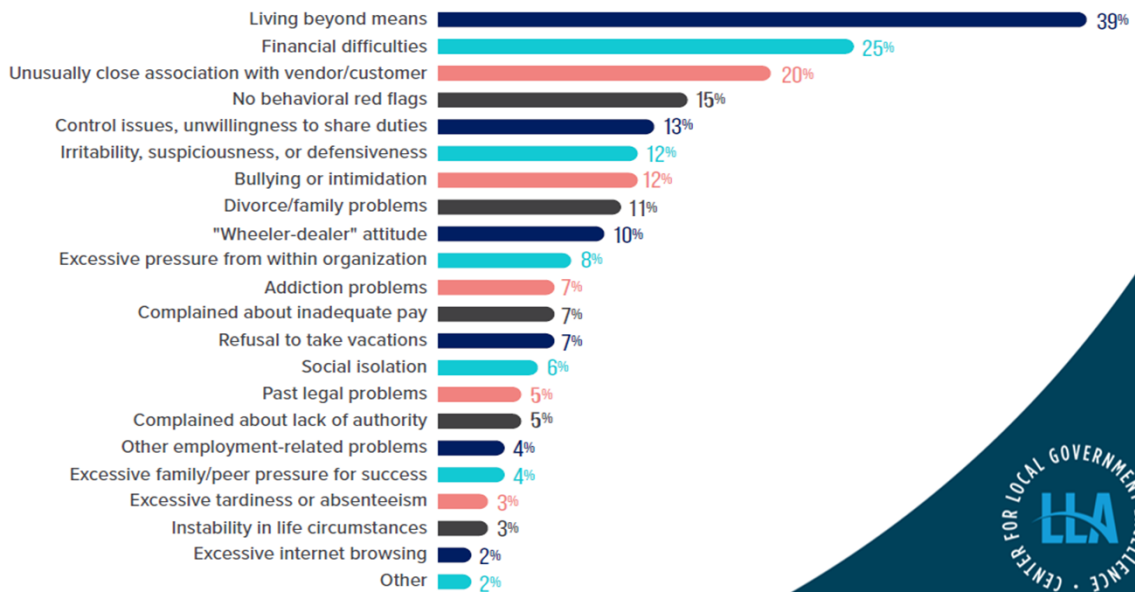
- **Passive Detection Methods**

- By accident
- Notification by law enforcement
- Confession

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## Fraud Red Flags





## SAUP 12: Fraud Notice

Did the government report all misappropriations of public funds, whether actual knowledge or reasonable cause to believe, to the Legislative Auditor and District Attorney as required by L.S. 24:523?

Is the fraud notice posted?

**FIGHT FRAUD, WASTE & ABUSE!**

Contact the Louisiana Legislative Auditor (LLA) Hotline if you suspect the misappropriation (theft), fraud, waste or abuse of public funds by anyone.

Information provided to the LLA Hotline may result in an investigation, audit or other review.

When providing information to the LLA Hotline, please include sufficient detail (*describing who, what, where, when, why and how*) to allow us to fully evaluate your information. Although we will consider anonymous information, providing us with your name and telephone number will allow us to contact you with any additional questions that we have. **Your name and telephone number, as well as the status of complaints, are confidential.**

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## City of Oakdale

- Lisa's responsibilities
  - City clerk
  - Monthly bank reconciliations
  - Check signing
  - Entering electronic transfers of payroll and benefits
  - Supervise accounts payable and payroll
- Two tokens were issued by the bank to make electronic payments
  - Lisa had possession of both
- No review of electronic transfers
- Over 7 years and 3 months Lisa paid herself \$769,136 electronically and paid \$115,304 electronically to her credit card accounts



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## SAUPs 1, 2 and 3

- Are there **written disbursement policies and procedures**, including processing, reviewing, and approving?
- Does the **governing body** meet monthly and do the minutes reference or include monthly budget-to-actual comparisons on the general fund and quarterly budgetary comparisons on proprietary funds?
- Does the governing body receive **written updates of the progress of resolving the audit findings** using the corrective action plan at each meeting until the finding is considered fully resolved?
- Were **bank reconciliations** prepared within 2 months of the statement date and were they reviewed by a member of management who doesn't handle cash, post transactions, or issue checks?

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## City of Oakdale



- Accounts payable process
  - AP clerk enters invoices
  - Weekly the AP clerk provides the AP aging to Lisa, who determines which invoices should be paid
  - AP clerk prints checks and gives to Mayor to approve the invoice and sign the checks
  - Lisa backed up the AP clerk
- Lisa often bought items for the city when the city didn't have the cash, then submitted a request for reimbursement
  - Maintenance and office supplies, new equipment
- \$59,945 in city checks were deposited into Lisa's bank account
  - \$30,213 were for approved payroll
  - \$16,354 were reimbursements for expenses
  - \$13,378 had no documentation

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## SAUP 1: Written Policies and Procedures

- Are there **written purchasing policies and procedures** that address
  - How purchases are initiated;
  - How vendors are added;
  - Preparation and approval of purchase requisitions and orders;
  - Controls to ensure compliance with Public Bid Law; and
  - Required documentation?

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## SAUP 5: Non-Payroll Disbursements

- Is there **proper segregation of duties** such that
  - At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
  - At least two employees are involved in processing and approving payments to vendors;
  - The employee responsible for making payments cannot make changes to the vendor master file unless another person reviews those changes;
  - Either the check signer mails the payments or gives the payments to someone other than the person who processed the payments to mail; and
  - Only persons responsible for signing checks approve the electronic disbursements of funds.
- Does **supporting documentation** include an itemized invoice and indicate that goods were received or services were performed satisfactorily?

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## City of Oakdale Audit Reports

- Findings in multiple consecutive years for failing to amend the budget
- Findings in multiple consecutive years for incomplete, “inaccurately prepared”, or lack of bank reconciliations
- Findings in multiple consecutive years for failing to adequately fund debt reserve and sinking funds
- Findings in multiple consecutive years for failure to pay payroll taxes due to “lack of available funds”
- Finding for late submission of the audit report due to not reconciling the bank statement
- Focus on police department time sheets
- Utility clerk pled guilty to stealing \$4,608

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## Limitations of a Financial Statement Audit

- Objective is for the auditor to opine on whether the financial statements are fairly stated, in all material respects
  - A “clean” opinion does not mean that no fraud exists
  - The external auditor cannot be part of an entity’s internal controls
- Fraud detection is not the auditor’s responsibility
- Auditors look at a sample of the entire population of transactions, based on risk assessment
- Auditors may not be able to detect management override
- Statewide agreed-upon procedures are designed to address those areas that have resulted in the most frequent incidents of fraud, waste, and abuse

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## Big Problems Often Start as Little Problems

- Audit findings
- Management Letter comments
- Statewide agreed-upon procedure exceptions

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## SAUP 10: Ethics

- Are there **written ethics policies and procedures** that address
  - Prohibitions defined in R.S. 42:1111-1121;
  - Actions to take if an ethics violation occurs;
  - System to monitor ethics violations; and
  - Maintaining documentation to demonstrate that employees were notified of any changes to the ethics policy?
- Did each employee complete the **required one hour of Ethics training?** (available free online at [ethics.la.gov](http://ethics.la.gov))
- Is there an appointed **Ethics designee** as required by R.S. 42:1170?

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## City of Zachary



- The city paid two vendors \$4.1 million to perform maintenance and utility services over two years
- \$3.5 million of those services were provided without benefit of a written contract
  - Water meter reading
  - Utility maintenance and repair
  - Equipment repair
  - Lift station and water well maintenance and repair

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## SAUP 8: Contracts

- Are there **written contracting policies and procedures** that include
  - Types of services requiring written contracts;
  - Standard terms and conditions;
  - Legal review;
  - Approval process; and
  - Monitoring process?
- Was the **Public Bid Law** complied with?
- Was the contract **approved** properly?
- Were **amendments** within the scope of the original contract and made within contract terms?
- Were the invoices **billed** according to contract terms?

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## Town of Jonesville



- Responsibilities of utility clerks Leigh Ann and Veronica
  - Collect utility payments
  - Issue receipts
  - Record payments in the utility software
  - Separate cash drawers
  - Each counted her own funds, reconciled amounts collected to payments recorded, and prepared funds for deposit
- No written policies and procedures for collections and adjustments to customer accounts
- \$93,841 was received or recorded but not deposited in the bank over 8 months

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## SAUP 4: Collections

- Are there **written receipts and collections policies and procedures** that address
  - Receiving, recording, and preparing deposits; and
  - Management's actions to determine completeness of all collections for each type of revenue?
- Are **receipts pre-numbered sequentially** and are all receipts accounted for?
- Do **receipts** agree with the software **reports, other documentation**, and the **deposit slip**?
- Is the amount on the deposit slip the same as on the **bank statement** and in the **general ledger**?

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## SAUP 4: Collections

- Are **collection job duties properly segregated** such that
  - Employees responsible for cash collections don't share cash drawers;
  - Employees who collect cash don't prepare or make bank deposits, unless another employee reconciles collection documentation to the bank deposit; and
  - Employees who collect cash do not post collection entries to the general ledger unless another employee reconciles ledger postings to each other and the deposit?
- Are all employees who handle cash (assets) **bonded or insured**?
- Were deposits made **within 1 business day**?

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## Ouachita Parish Clerk of Court



- Responsibilities of Deputy Clerk Donald
  - Bookkeeping
  - Payroll
  - Bank deposits
  - Other accounting duties when employees were absent
- Clerk's office provides web-based access to public records
  - For various periods of time (annual, monthly, daily)
  - Pay for these online subscriptions using PayPal
- Donald had sole access to the PayPal account
  - No monitoring of the PayPal account
  - No reporting on PayPal activity
  - \$344,226 was transferred to Donald's accounts over 4 years, 37% of the total online payments received

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## Ouachita Parish Clerk of Court Audit Report Findings and SAUP Exceptions

- Fraudulent transfers started at below \$50,000 in calendar year 2015 to a high of about \$125,000 in calendar year 2018 on annual revenues of about \$5 million
- Clean opinions all 5 years (FYE 6/2015 – 6/2019)
- 3 years had no findings
- Findings for failure to get Bond Commission approval, failing to submit report on time, paying excessive leave
- For 2 years no written policies and procedures and no bond or theft insurance
- For 3 years sharing cash drawers and failure to research old outstanding items on bank reconciliations

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## District Attorney for the 9<sup>th</sup> Judicial District



- R.S. 40:2601 *et seq* establishes processes for handling seizures and forfeitures
  - Proceeds of any . . . forfeitures should be deposited in the District Attorney's Special Asset Forfeiture Fund until disposed of pursuant to a court order
  - Law enforcement officers send seized cash and proceeds from the sale of seized assets to the district attorney
  - After assets are distributed per court order and expenses are paid, any remaining funds are allocated 60% to the law enforcement agency making the seizure, 20% to the criminal court fund, and 20% to the district attorney
- Marguerite, bookkeeper, was responsible for
  - Receiving and depositing seized assets and recording in the general ledger
  - Preparing checks drawn on the Special Asset Forfeiture account
  - Reconciling the Special Asset Forfeiture bank account
- \$794,166 in seized assets was not deposited over almost 6 years

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## District Attorney for the 9<sup>th</sup> Judicial District



- Bank deposits were not made immediately upon receipt of the funds
- Funds from other sources (federal grants, bond forfeitures, other) were deposited into the Asset Forfeiture account, apparently to replace or substitute for funds that weren't deposited
- \$281,015 in court-ordered judgments were not disbursed
- Judgments were not paid timely after the court order

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## District Attorney for the 9<sup>th</sup> Judicial District: Audit Report Findings

- Inadequate segregation of duties (few employees)
- No formal risk assessment policies or written internal control policies over the accounting system
- Receipts not deposited timely – multiple years
- Failed to comply with federal child support enforcement laws – multiple years
- For two years, finding that personnel didn't have the technical knowledge to prepare financial statements

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## City of Ville Platte



- Ordinance 12-08-15-2 established the Mayor's annual salary at \$70,000 and Board members' annual salary at \$8,400 each
- In addition to the compensation above, the Mayor received \$6,000 vehicle allowance, \$1,500 phone allowance, and \$1,500 in per diem payments for attending Board meetings
- In addition to the above, 6 Board members received \$3,600 vehicle allowance and per diem payments between \$1,440 and \$1,500 each (\$31,734 total)
- Excess payments totaled \$40,734 over 12 months

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## SAUP 1: Written Policies and Procedures

- Are there **written payroll/personnel policies and procedures** that address
  - Payroll processing;
  - Reviewing and approving time and attendance records, including leave and overtime worked; and
  - Approval process for rates of pay or approval and maintenance of pay rate schedules?
- Are there **written travel and expense reimbursement policies and procedures** that address
  - Allowable expenses;
  - Dollar thresholds by category of expense;
  - Documentation requirements; and
  - Required approvers?

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## SAUP 6: Travel and Travel-Related Expense Reimbursements

- If reimbursed on **per diem rates**, are those rates no more than the rates established by the state or U.S. General Services Administration (gsa.gov)?
- If reimbursed using actual costs, does documentation include **original itemized receipts**?
- Is there documentation of the **public purpose**?
- Are reimbursements **reviewed and approved in writing** by someone other than the person being reimbursed?
- Was the expense also paid by the agency's credit card?

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## SAUP 9: Payroll and Personnel

- Are employees **paid their authorized pay rate** that is included in their personnel file?
- Is **daily attendance and leave documented** for all employees and elected officials who earn leave?
- Are **leave and attendance approved** by a supervisor?
- Is leave taken **recorded in the person's leave record**?
- Are **termination payments** made in accordance with policies and leave records?
- Are **third-party amounts** (taxes, retirement, insurance, garnishments, etc.) **paid and reported timely**?

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## City of Ville Platte Audit Report



- 6 findings for FYE 6/30/2018
  - Improper segregation of duties
  - Lacked financial expertise to prepare financial statements
  - Failure to reconcile utility receivables
  - Failure to reconcile meter deposits
  - Failure to maintain police department ticket log
  - Failure to amend budget
- All were findings in the prior fiscal year

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## Madison Parish Hospital Service District



- Wendell, hospital administrator
  - Received \$283,437 in fraudulent billings from a vendor
  - Received \$749,378 in fraudulent billings by an insurance agent
  - Received wages of \$60,389 in excess of his authorized rate
  - Was improperly reimbursed for \$11,023 in mileage reimbursements during the same period he received a vehicle allowance and charged \$8,703 in fuel on his hospital credit card
  - Received \$9,500 in travel advances and provided no documentation on how these funds were used
  - Received free landscaping services from a hospital vendor

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## Madison Parish Hospital Service District



- During Wendell's tenure as hospital administrator the hospital also
  - Improperly used \$335,931 in public funds to provide health and life insurance benefits to commissioners and non-employees
  - Entered into contracts with Wendell's family members, and hospital doctors and employees
  - Spent \$404,510 of public funds on non-public purposes
    - Improper nursing scholarships
    - Education, licensing, and travel expenses incurred by a contract attorney
    - Office celebrations, gifts, and flowers
    - Payments of unused sick leave
    - Payments of voluntary insurance policies

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## Madison Parish Hospital Service District

- 7 credit cards were issued to
  - Hospital administrator, Wendell
  - Board chairman, Hayward
  - Administrative assistant
  - Purchasing director
  - Other selected department supervisors
- Wendell charged \$69,433 in personal charges over 3.5 years, including part of his daughter's wedding
- Hayward charged \$4,159 in airfare for his spouse for 6 separate trips
- A commissioner, Marjorie, charged \$2,254 in airfare for her spouse for 3 separate trips



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## SAUP 7: Credit, Debit, Fuel and Purchase Cards

- Are there **written credit card policies and procedures** that address
  - How cards are controlled;
  - Allowable business uses;
  - Documentation requirements;
  - Required approvers of statements; and
  - Monitoring card usage?
- Are **original itemized receipts** attached to each monthly statement?
- Is each statement and the accompanying receipts **reviewed and approved by someone other than the card holder**?
- Were any **finance fees or late charges** billed and paid?

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## SAUP 7: Credit, Debit, Fuel and Purchase Cards

- **Is each transaction supported** by
  - An original itemized receipt that identifies precisely what was purchased,
  - Written documentation of the business/public purpose, and
  - Documentation of the individuals participating in meals?
- What are the compensating controls for **missing receipts**?

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## Madison Parish Hospital Service District Audit Reports

- FYE 12/31/2007, 2008, 2009 – no findings
- FYE 2010 – failed to report life insurance benefit over \$50,000 on employee W-2s
- FYE 2011 (issued in September 2012) – disclaimed opinion and 29 findings
- FYE 2012 (new auditor) – disclaimed opinion and 36 findings
- FYE 2013 – disclaimed opinion and 31 findings
- FYE 2020 – (new auditor) – clean opinion and no findings

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## Catahoula Parish Fire Protection District No. 4 – Sandy Lake



- In 2017 District 4 entered into a \$435,717 nine-year lease purchase agreement without Bond Commission approval
- In 2018 District 4 entered into a \$20,752 three-year lease purchase agreement without Bond Commission approval
  - The vehicle in question was, in fact donated
- Both lease purchase agreements were refinanced in 2019 without Bond Commission approval
- In 2017 District 4 obtained an unsecured loan in the amount of \$15,095 without Bond Commission approval

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## Catahoula Parish Fire Protection District No. 4 – Sandy Lake



Fire Chief, Robert, also

- Was paid \$12,269 in excess of his monthly salary
- Received \$4,687 of unsubstantiated reimbursements
- Appears to have spent \$22,495 of District 4's money to purchase items for personal use
- Appears to have authorized \$57,067 of questionable purchases
- Falsified signatures on lease purchase documents
- Failed to provide for an annual review
- Falsified Board minutes

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## SAUP 11: Debt Service

- Are there **written debt service policies and procedures** that address
  - Debt issuance approval;
  - Continuing disclosure and EMMA reporting requirements;
  - Debt reserve requirements; and
  - Debt service requirements?
- Was **Bond Commission approval** obtained for all debt?
- Did the government **comply with debt reserve** and other bond covenants?

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Hi!  
 Your files are encrypted by Netwalker.  
 All encrypted files for this computer has extension: .e76748

--  
 If for some reason you read this text before the encryption ended, this can be understood by the fact that the computer slows down, and your heart rate has increased due to the ability to turn it off, then we recommend that you move away from the computer and accept that you have been compromised.  
 Rebooting/shutdown will cause you to lose files without the possibility of recovery.

--  
 Our encryption algorithms are very strong and your files are very well protected, the only way to get your files back is to cooperate with us and get the decrypter program.

Do not try to recover your files without a decrypter program, you may damage them and then they will be impossible to recover.

For us this is just business and to prove to you our seriousness, we will decrypt you one file for free.  
 Just open our website, upload the encrypted file and get the decrypted file for free.

--

Steps to get access on our website:



Ransomware  
 attack!

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## SAUP 13: IT Disaster Recovery and Business Continuity

- Are there **written IT disaster recovery/business continuity policies and procedures** that address
  - Identification of critical data and frequency of backups;
  - Backup is stored separately from the network;
  - Periodic testing/verification that backups can be restored;
  - Use of antivirus software on all systems;
  - Timely application of all available system and software patches/updates; and
  - Identification of personnel, processes, and tools needed to recover operations after a critical event?

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## SAUP 13: IT Disaster Recovery and Business Continuity

- Did a **backup of the most critical data occur within the past week?**
- Are backups **not stored** on the government's local server or network and are they **encrypted?**
- **Have backups been tested and verified that they can be restored,** and did that test/verification occur **within the past 3 months?**
- Is **current antivirus software installed** on all computers and is it **active?**
- Are operating systems and accounting software in use **currently supported** by vendors?
- Has access to the network been disabled or removed for terminated employees?

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## Act 155 of the 2020 Legislative Session

- [R.S. 42:1267](#) effective June 9, 2020
- Requires State Civil Service to develop **training programs** designed to focus on forming information security habits and procedures that protect information resources and teach best practices for detecting, assessing, reporting, and addressing information security threats
- **Each state and local government employee/official** who has access to the agency's information technology assets is **required to complete the cybersecurity training**
- **Any contractor** who has access to state or local government information technology assets **is required to complete cybersecurity training** during the term of the contract and any renewal period
- **The Agency Head shall verify** to State Civil Service completion of the training by all employees and contractors

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## Database Security Breach Notification Law

- [R.S. 3071-3077](#) and Audit Risk Alert #39 (August 2021)
- Passed in 2005 when identity theft was rampant
- Applies to agencies, political subdivisions, and **all entities (and persons) that conduct business or own or license computerized data that has personally identifying information** (PII)
- Protect PII from unauthorized access, destruction, use, modification, or disclosure
- Take reasonable steps to destroy records that have PII by shredding erasing, or making the records unreadable and undecipherable
- Notify certain parties when a breach is discovered

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## SAUP 14: Prevention of Sexual Harassment

- Are there **written sexual harassment policies and procedures** that address
  - The government's responsibilities and prohibitions;
  - Annual employee training; and
  - Annual reporting?
- Have all employees completed their **annual one-hour of training**?
  - Civil Service has a free online training ([civilservice.louisiana.gov/divisions/training](http://civilservice.louisiana.gov/divisions/training))
- Are the policy and complaint procedures **posted** on the website (or premises)?
- Has the **annual report** been prepared and does it include all the required items?
  - LLA's [Prevention of Sexual Harassment Law](#) includes a report template

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## SAUP 1: Budgeting Policies and Procedures

- Are there **written budgeting policies and procedures** that address
  - Preparing the budget;
  - Adopting the budget;
  - Monitoring the budget; and
  - Amending the budget?
- Local Government Budget Act – R.S. 39:1301-1315

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## The True Value of Statewide Agreed-Upon Procedures

City of Oakdale	\$897,818
City of Zachary	3,521,007
Town of Jonesville	93,841
Ouachita Parish Clerk of Court	344,226
District Attorney for 9th Judicial District	794,166
City of Ville Platte	40,734
Madison Parish Hospital Service District	1,938,717
Catahoula Parish Fire Protection District No. 4	<u>568,082</u>
	\$8,198,591



## Future of Statewide Agreed-Up Procedures



- They're here to stay
- Every procedure is required to be performed every year
- Exact procedures could change, however
  - Cybersecurity training
  - Are purchase cards paid in full each month?
  - Online money transfer systems
  - Use of government-owned vehicles
  - Capital asset inventory and tagging
  - Budget

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## General Comments

1. The statewide agreed-upon procedures (SAUPs) were last updated in October 2022 for Year 5
2. Effective for local governments and quasi-public organizations (required to comply with the Audit Law, LSA-RS 24:513) for a fiscal year end of 12/31/2022 and later and revenues of \$500,000 or more (required to have an audit)
3. Performed under AICPA attest standards by the same firm that performs the annual audit and attached to (but a separate report from) the audit report
4. Statewide agreed-upon procedures are "complementary" not "additive"
5. Statewide agreed-upon procedures are not required to be performed on discretely presented component units within the primary government's audit report
6. Management must provide a written response

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## General Comments

7. Auditor may report no exception if the entity had exceptions based strictly on the wording of the procedure and the entity's compensating controls **fully** mitigate the underlying control risk
8. Only those statewide agreed-upon procedure exceptions that rise to the level of significant deficiency or material weakness should be included as an audit finding
9. Statewide agreed-upon procedures can be performed in any 12-month fiscal period that is no more than 3 months prior to the end of the entity's fiscal year
10. For non-profits with other than public funds, only the public funds portion is subject to the statewide agreed-upon procedures and only if the funds are not commingled
11. If American Rescue Plan Act funds cause a change from a review/attestation to an audit, then statewide agreed-upon procedures are waived.
12. [www.lla.la.gov](http://www.lla.la.gov) – Resources – Statewide Agreed-Upon Procedures

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## Thank You!

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