

# LOUISIANA GOVERNMENTAL AUDIT GUIDE

LOUISIANA LEGISLATIVE AUDITOR

**GENERATED: 08/04/2023**

(ALL REFERENCED ATTACHMENTS ARE  
LOCATED IN THE "FILES" SECTION OF THIS PDF)

## TABLE OF CONTENTS

### Louisiana Governmental Audit Guide

#### Louisiana Legislative Auditor

- About The Legislative Auditor (100-1010)
- The Audit Law (100-1020)
- Organization and Services (100-1030)
- What The Legislative Auditor Can Do And Cannot Do (100-1040)
- Louisiana Governmental Audit Guide (100-1050)
- Legislative Audit Advisory Council (100-1060)
- Legislative Auditor Fraud Hotline (100-1070)
- Fiscal Administration Statutes (100-1080)
- Staff Directory (100-1090)

#### Who Reports To The Legislative Auditor?

- Louisiana State Government Agencies (200-1010)
- Local Government Agencies And Quasi-Public Organizations (Local Auditees) (200-1020)
- Assessors (200-1030)
- Clerks Of Court (200-1040)
- District Courts| Criminal Court Funds| District Attorneys| District Public Defenders| and Judicial Expense Funds (200-1050)
- Hospital Service Districts (200-1060)
- Housing Authorities (200-1070)
- Justices Of The Peace And Constables (200-1080)
- Municipalities (200-1090)
- Parish Governing Authorities (200-1100)
- Quasi-Public Organizations (200-1110)
- Retirement Systems (200-1120)
- School Boards And Charter Schools (200-1130)
- Sheriffs (200-1140)
- Special Service Districts And Public Trusts (200-1150)

#### Special Reporting Requirements In The State Of Louisiana

- Special Reporting – Overview (300-1010)
- Special Reporting – Agencies That Collect Ad Valorem Taxes (300-1020)
- Special Reporting – Agencies That Collect Taxes Other Than Ad Valorem Taxes (300-1030)
- Special Reporting – Charter Schools (300-1040)
- Special Reporting – College And University Foundations | Alumni Associations| and Building Corporations (300-1050)

## Special Reporting – Continuing Disclosure Requirements of the SEC and the State of Louisiana (300-1055)

- Special Reporting – Deficits (300-1060)
- Special Reporting – District Public Defenders (300-1070)
- Special Reporting – Fiscal Administration (300-1075)
- Special Reporting – Fraud And Misappropriations (300-1080)
- Special Reporting – Housing Authorities (300-1081)
- Special Reporting – Justices Of The Peace And Constables (300-1090)
- Special Reporting – Justice System Agencies - Court Costs, Fines and Fees (300-1095)
- Special Reporting – Juvenile Justice Districts (300-1100)
- Special Reporting – Schedule Of Compensation | Benefits | And Other Payments to Agency Head or Chief Executive Officer (300-1110)
- Special Reporting – School Board Performance Measures And Agreed-Upon Procedures Report (300-1120)
- Special Reporting – State Central Committees and Parish Executive Committees (300-1125)
- Special Reporting – Statewide Agreed-Upon Procedures Engagements (300-1127)
- Special Reporting – Volunteer Fire Departments (300-1130)

## For CPA Firms

- CPA Firm Approval (400-1010)
- Peer Reviews (400-1020)
- Legislative Auditor Monitoring And Disciplinary Actions Regarding CPA Firms (400-1030)
- Use Of Other CPA Firms As Engagement Staff (400-1040)
- Auditing Standards And The Difference Between GAAP| GAAS and GAGAS (400-1050)
- Standards For Other Engagements (400-1060)
- Laws And Regulations (400-1070)
- Engagement Agreements – Louisiana Legislative Auditor Requirements (400-1080)
- Submitting An Engagement Approval Request To The Legislative Auditor (400-1090)
- Routine And Non-Routine Engagements (400-1100)
- Agreed-Upon Procedures And Examination Engagements (400-1110)
- Cancelling An Engagement (400-1140)
- Auditors' Opinions And Accountants' Reports (400-1150)
- Types Of Auditors' Opinions (400-1160)
- Louisiana Compliance And Attestation Questionnaires (400-1170)
- Pension Reporting (400-1180)
- Allegations | Misappropriation Notices and Other LLA Notifications to CPAs (400-1190)
- Legislative Auditor's Policy Regarding Confidentiality of Audit/Engagement Documentation (400-1195)
- Schedules Of Current And Prior Year Findings And The Management Letter (400-1200)
- Writing Findings (400-1210)
- What A CPA Should Do If They Find Fraud (400-1220)

## Submitting A Report To The Legislative Auditor (400-1230)

- Legislative Auditor Report Review (400-1240)
- Common Audit Deficiencies (400-1250)
- Responding To The Legislative Auditor's Requests For Information (400-1260)
- Reissued Reports (400-1270)
- Auditing Federal Funds (400-1280)
- Legislative Auditor Assistance To CPA Firms (400-1290)
- On-Behalf Payments (400-1300)

## For Local Government Agencies And Quasi-Public Organizations (Local Auditees)

- Engagement Completion Checklist (500-1010)
- What Should I Do When My Agency Receives Correspondence From The Legislative Auditor? (500-1020)
- Does My Agency Need To Report To The Legislative Auditor? (500-1030)
- What Kind Of Report Does My Agency Need To Provide To The Legislative Auditor? (500-1040)
- What Is An Audit? (500-1050)
- Generally Accepted Accounting Principles (500-1060)
- Generally Accepted Auditing Standards And Generally Accepted Government Auditing Standards (500-1070)
- Reporting For Local Governments (500-1080)
- Reporting For Nonprofits (500-1090)
- Independence Of The CPA Firm Performing The Audit (500-1100)
- Choosing A CPA Firm (500-1110)
- Preparing For The Annual Audit – Tips On Keeping The Cost Of The Audit Down (500-1120)
- Performance Of The Audit (500-1130)
- Louisiana Compliance And Attestation Questionnaires (500-1140)
- Component Units (500-1150)
- Investigative Audits And Related Matters (500-1160)
- Management Representation Letters (500-1170)
- Findings And Management Letter Comments (500-1180)
- How Is My Agency's Report Submitted To The Legislative Auditor? (500-1190)
- Due Date Of Reports And Consequences Of A Late Report (500-1200)
- Extension Requests (500-1210)
- What Do I Do If My Agency's Records Are Destroyed? (500-1215)
- What Happens After The Legislative Auditor Receives My Agency's Report? (500-1220)
- Responsibilities Of The Local Auditee Vs. Responsibilities Of The CPA Performing The Audit (500-1230)
- Internal Controls (500-1240)
- What Is Materiality? (500-1250)
- Reporting Fraud To The Legislative Auditor (500-1260)
- Legislative Auditor Assistance To Local Auditees (500-1270)

## Unresolved Findings And The Three Strikes Rule (500-1280)

- Disputes Between The Local Auditee And Their Auditor (500-1290)
- Newly Elected Officials (500-1300)

## Practice Aids & Related Documents

- Louisiana Legislative Auditor Requirements for Audit Engagement Agreements (600-1010)
- Attachment to School Board and Charter School Audit Engagement Agreements - Agreed-Upon Procedures for Schedules of Performance and Statistical Data Required by Louisiana Revised Statute 24:514 I. (600-1020)
- Sample Review/Attestation Engagement Agreement - Governmental Agency| Quasi-Public Agency or Charter School (600-1030)
- Attachment to Review/Attestation Engagement Agreement - Agreed-Upon Procedures for Governmental Agency (600-1040)
- Attachment to Review/Attestation Engagement Agreement - Agreed-Upon Procedures for Quasi-Public Agency (600-1050)
- Attachment to Review/Attestation Engagement Agreement - Agreed-Upon Procedures for Charter School (600-1060)
- Sample Compilation Engagement Agreement (600-1070)
- Louisiana Legislative Auditor Requirements for Non-Routine Engagements (600-1080)
- Louisiana Compliance Questionnaire - Governmental Agency (600-1090)
- Louisiana Compliance Questionnaire - Quasi-Public Agency (600-1110)
- Louisiana Compliance Questionnaire - Charter School (600-1120)
- Louisiana Attestation Questionnaire - Governmental Agency (600-1130)
- Louisiana Attestation Questionnaire - Quasi-Public Agency (600-1140)
- Louisiana Attestation Questionnaire - Charter School (600-1150)
- Sample Attestation Report on Applying Agreed-Upon Procedures - School Board/Charter Schools Performance Measures (600-1170)
- School Performance Measures Schedules - 2020 and 2021 (600-1180)
- Department of Education Assurance Schedules Glossary - 2021 and 2022 (600-1190)
- Sample Review Report (600-1200)
- Sample Attestation Report on Applying Agreed-Upon Procedures - Governmental Agency (600-1210)
- Sample Attestation Report on Applying Agreed-Upon Procedures - Quasi-Public Agency (600-1220)
- Sample Attestation Report on Applying Agreed-Upon Procedures - Charter School (600-1230)
- Sample Compilation Report (600-1240)
- Sworn Statement - Ad Valorem Taxes - Sheriffs (600-1250)
- Sample Footnote Disclosure - Collectors of Taxes Other Than Ad Valorem Taxes (600-1260)
- District Public Defender Funds Required Reporting Format (600-1270)
- Legislative Auditor Finding Template for Reporting Fraud and Misappropriations (600-1280)
- CPA Peer Review Authorization Form (600-1290)

## Agencies That Must Submit Financial Indicators Worksheet (FIW) With Report (600-1300)

- Links to GASB 68 Reports for Louisiana State and Statewide Retirement Systems (600-1310)
- Statewide Agreed-Upon Procedures and FAQs (600-1320)
- Statewide Agreed-Upon Procedures Sample Engagement Agreements (600-1330)
- Statewide Agreed-Upon Procedures Example Reports (600-1350)
- Statewide Agreed-Upon Procedures Sample Representation Letters (600-1360)
- Checklist for Local Auditee Reporting Requirements in the State of Louisiana (600-1370)
- Justice System Funding Reporting Schedules (600-1380)
- Schedule of Collections, Distributions, and Costs of Collection is required in audit reports of single sales and use tax collectors beginning with fiscal years ending on or after December 31, 2023 (600-1265)

## Audit Risk Alerts

- Audit Risk Alert No. 1 - Revised Louisiana Governmental Audit Guide (700-1001)
- Audit Risk Alert No. 2 - Clerks of Court Advance Deposit Funds (700-1002)
- Audit Risk Alert No. 3 - Checklist for Local Auditee Reporting Requirements in Louisiana (700-1003)
- Audit Risk Alert No. 4 - Peer Review Authorization Form (700-1004)
- Audit Risk Alert No. 5 - Louisiana Governmental Audit Guide May Now Be Printed Out in One Continuous Document (700-1005)
- Audit Risk Alert No. 6 - Applicability of Louisiana State Laws to Non-Profit Agencies (700-1006)
- Audit Risk Alert No. 7 - Update to Public Bid Law Frequently Asked Questions (FAQ) Document (700-1007)
- Audit Risk Alert No. 8 - Schedule of Compensation|Benefits|and Other Payments to the Agency Head or Chief Executive Officer (700-1008)
- Audit Risk Alert No. 9 - Data Hosting Services|New LLA Legal White Papers (700-1009)
- Audit Risk Alert No. 10 - New Statewide Agreed-Upon Procedures - FOR YOUR IMMEDIATE ATTENTION (700-1010)
- Audit Risk Alert No. 11 - Fines, Fees, and Court Costs Collected on Behalf of Other Entities (700-1011)
- Audit Risk Alert No. 12 - Revised School Board Performance Measures - 2018 (700-1012)
- Audit Risk Alert No. 13 - New Statewide Agreed-Upon Procedures Frequently Asked Questions (700-1013)
- Audit Risk Alert No. 14 - Changes in Reporting for Nonprofit Organizations - Improper Payment of Sales and Use Taxes by Local Government Agencies (700-1014)
- Audit Risk Alert No. 15 - Required Participation in Pension Systems - Bond Indenture Reporting Requirements (700-1015)
- Audit Risk Alert No. 16 - New Statewide Agreed-Upon Procedures - FOR YOUR IMMEDIATE ATTENTION (700-1016)
- Audit Risk Alert No. 17 - Charter School Ethics Requirements (700-1017)
- Audit Risk Alert No. 18 - Louisiana Compliance and Attestation Questionnaires (700-1018)

Audit Risk Alert No. 19 - New Local Auditee Engagement Approval Process|Legal FAQ Documents (700-1019)

- Audit Risk Alert No. 20 - Amendments to SEC Continuing Disclosure Requirements (700-1020)
- Audit Risk Alert No. 21 - School Board Performance Measures - 2019 (700-1021)
- Audit Risk Alert No. 22 - LAGAG Update|Certification of Sheriffs' Training|Update on Legal FAQ Documents (700-1022)
- Audit Risk Alert No. 23 - Common Audit Report Deficiencies| Submitting Large Report Files to LLA (700-1023)
- Audit Risk Alert No. 24 - Deadline to Submit June 30 2019 Reports to LLA (700-1024)
- Audit Risk Alert No. 25 - Requirement for Approved CPA Firms to Notify the Louisiana Legislative Auditor of Disciplinary Actions Taken by a State Board of Accountancy or Other Regulatory Body (700-1025)
- Audit Risk Alert No. 26 - Statewide Agreed-Upon Procedures Update (700-1026)
- Audit Risk Alert No. 27 - Office of Community Development Handbook (700-1027)
- Audit Risk Alert No. 28 - Statewide AUPs] COVID-19 Resources (700-1028)
- Audit Risk Alert No. 29 - Requesting Approval for An Audit Engagement Without a Statewide Agreed-Upon Procedures Report (700-1029)
- Audit Risk Alert No. 30 - School Board Performance Measures - 2020 (700-1030)
- Audit Risk Alert No. 31 - 2020 LAGAG Update|Certification of Sheriffs' Training|Updated Legal FAQ Documents (700-1031)
- Audit Risk Alert No. 32 - Peer Review Authorization Form|Deadline to Submit June 30 2020 Reports to the Legislative Auditor (700-1032)
- Audit Risk Alert No. 33 - 2020 Compliance Supplement Addendum (700-1033)
- Audit Risk Alert No. 34 - Justice System Funding Reporting Schedules (700-1034)
- Audit Risk Alert No. 35 - Justice System Funding Reporting Schedules] Instructions] and FAQ Document (700-1035)
- Audit Risk Alert No. 36 - COVID-19 Guidance Available on LLA Website (700-1036)
- Audit Risk Alert No. 37 - Reinstatement Date for Statewide AUP Engagements ] SSAE No. 19 (700-1037)
- Audit Risk Alert No. 38 - Submitting Audit Reports with Single Audits to LLA (700-1038)
- Audit Risk Alert No. 39 - Database Security Breach Notification Law - CPA Firms' Notification Responsibilities, Timely Notification of Events to LLA (700-1039)
- Audit Risk Alert No. 40 - Reporting Federal Equitable Sharing Program Funds on the SEFA (700-1040)
- Audit Risk Alert No. 41 - 2021 LAGAG Update] SSAE No. 19] School Board Performance Measures] Pre-issuance Reviews] Fiscal Administration (700-1041)
- Audit Risk Alert No. 42 - New Statewide Agreed Upon Procedures - FYEs 12/31/21 through 11/30/22 (700-1042)
- Audit Risk Alert No. 43 - Submitting Audit Reports/Single Audit Reports When Federal Guidance is Delayed, Changes in Reporting School Activity Funds (700-1043)
- Audit Risk Alert No. 44 - Submitting Statewide Agreed-Upon Procedures Engagements for Approval - Implementation of SAS 134 - 140 (700-1044)

- Audit Risk Alert No. 45 - Change in Criteria for Non-Emergency Extension Requests (700-1045)
- Audit Risk Alert No. 46 - Change in SA and SAUP Reporting Requirements for CSLFRF Recipients (700-1046)
- Audit Risk Alert No. 47 - Repeal of Act 774 Revised Peer Review Authorization Form (700-1047)
- Audit Risk Alert No. 48 - Cooperative Endeavor Agreements that May Constitute the Incurrence of Debt Requiring Approval by the State Bond Commission (700-1048)
- Audit Risk Alert No. 49 - New Statewide Agreed -Upon Procedures for 12/31/22 through 11/30/23 (700-1049)
- Audit Risk Alert No. 50 - Required Reporting Regarding the Results of Performing Statewide Agreed-Upon Procedures Beginning for Reports Submitted on or After March 1, 2023 (700-1050)
- Audit Risk Alert No. 51 - Community Drinking Water Infrastructure Sustainability Act – Act 98 of the 2021 Regular Legislative Session (700-1051)
- Audit Risk Alert No. 52 - Schedule of Collections, Distributions, and Costs of Collection required in audit reports of single sales and use tax collectors beginning with fiscal years ending on or after December 31, 2023 (700-1052)
- Audit Risk Alert No. 53 - Calculation of “Revenues and Other Sources” for Determining the Type of Report Local Auditees are Required to Provide to the LLA (700-1053)

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### About The Legislative Auditor ( 100-1010 )

The Louisiana Legislative Auditor's office is the state agency charged with auditing Louisiana state government agencies<sup>1</sup> and local government agencies and quasi-public organizations (local auditees)<sup>2</sup>.

The Legislative Auditor must be a licensed certified public accountant. The Legislative Auditor is elected by a majority vote of both houses of the Louisiana Legislature, and can only be removed by a two-thirds vote of that body. There is no set term of office for the Legislative Auditor.

The Louisiana Legislative Auditor's (LLA's) legal authority is found in Article 3, Section 11 of the Louisiana Constitution of 1974<sup>3</sup>, and Louisiana Revised Statutes 24:511 – 559 (the Audit Law<sup>4</sup>). Every year, LLA issues the reports of over 4,000 state and local government agencies and quasi-public organizations. These reports are available to the public through the Audit Report Library<sup>5</sup> on LLA's website, [www.lla.la.gov](http://www.lla.la.gov).

#### QUESTIONS:

**Q.** Does LLA audit all of the 4,000 agencies it oversees?

**A.** LLA examines and reports upon the financial records of most state agencies; however, the financial books and records of most local government agencies and quasi-public organizations (local auditees), and a small number of state boards and commissions, are examined by private CPA firms that have been approved by the LLA.

**Q.** Are LLA's audit workpapers available to the public?

**A.** LLA's audit and other engagement workpapers are not subject to a public records request except:

When requested by subpoena

To a CPA firm that performs an audit or other engagement that was performed by LLA in the previous year. A confidentiality agreement must be signed by the CPA firm before access is given

**Q.** Who oversees LLA?

**A.** The Legislative Audit Advisory Council<sup>6</sup> (LAAC), a joint legislative committee composed of five members of the Louisiana House of Representatives and five members of the Louisiana Senate, oversees the operations of LLA. LAAC also meets to resolve audit findings contained in audits issued by LLA and CPA firms performing examinations in lieu of LLA. LAAC may hold hearings; subpoena witnesses; administer oaths; compel the books, documents, records and papers, public

and private; order an agency's books to be examined; and petition, directly or through the courts, writs of mandamus.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1010-louisiana-state-government-agencies>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
3. <http://legis.la.gov/Legis/Law.aspx?d=206407>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
5. <https://lla.la.gov/reports/audit-reports>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1060-legislative-audit-advisory-council>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### The Audit Law ( 100-1020 )

The legal authority of the Louisiana Legislative Auditor (LLA) may be found in Article 3, Section 11 of the Louisiana Constitution of 1974<sup>1</sup>, and Louisiana Revised Statutes (R.S.) 24:511 – 559. The revised statutes in Title 24 that pertain to the Legislative Auditor (LLA) are collectively called "**the audit law**."

A frequently asked questions<sup>2</sup> document regarding the audit law may be found on LLA's website.

The following is a summary of those provisions of the audit law that are most relevant for the purposes of the Louisiana Governmental Audit Guide.

**Louisiana Revised Statute 24:513**<sup>3</sup> provides for the powers and duties of LLA relative to the audits and other financial reports of entities that must report to it. Specific provisions include:

Definition of the state agencies, and local government agencies and quasi-public organizations (local auditees) that are required to report to LLA

The scope, form, content, and frequency of these reports

LLA's authorization to accept the reports of a licensed and approved certified public accountant (CPA) in lieu of LLA performing the audits and other engagements of state agencies and local auditees

LLA's and approved CPA's access to the records of and assistance from state agencies and local auditees

Publication of the Louisiana Governmental Audit Guide<sup>4</sup>

Penalties for violations of this statute

**Louisiana Revised Statute 24:513.4**<sup>5</sup> provides for the reporting to LLA by certain nonprofit organizations that receive disaster relief funds; and authorizes LLA's access to the books and records of these organizations.

**Louisiana Revised Statute 24:514**<sup>6</sup> provides for the following:

The form and content of the sworn annual financial statements required to be submitted to LLA by state agencies and local auditees that have not filed an approved audit engagement agreement with LLA by sixty days after the close of the entity's fiscal year

Annual financial statements of the state of Louisiana and local auditees are to be prepared in accordance with generally accepted accounting principles<sup>7</sup>, with an exception for those local auditees that cannot issue bonded debt

Public retirement systems are to provide annual actuarial valuations to LLA

School boards are to provide schedules of performance and statistical data in their audit reports.

**Louisiana Revised Statute 24:515**<sup>8</sup> authorizes LLA to prescribe the form in which the accounts of public funds shall be kept; and requires state agencies and local auditees<sup>9</sup> to maintain records of their fixed assets and provide them to LLA or CPA performing their audit or other engagement upon request.

**Louisiana Revised Statute 24:515.1**<sup>10</sup> provides for LLA to develop a uniform system of reporting major sources of revenues and expenditures for district public defenders<sup>11</sup>.

**Louisiana Revised Statute 24:516**<sup>12</sup> provides that LLA will file copies of reports it releases with the governor, attorney general, and the clerk of court of the parish in which the agency is domiciled. LLA will also file copies of reports that disclose alleged criminal acts with the district attorney. This provision of the audit law also requires parish governing authorities and other tax recipient bodies to notify LLA in writing whenever any sheriff is delinquent in his (ad valorem tax) settlements.

**Louisiana Revised Statute 24:516.1**<sup>13</sup> requires LLA to notify the Joint Legislative Committee on the Budget of any finding in any report issued by LLA relative to waste or inefficiencies in government, missed revenue collections, erroneous or improper payments or overpayments by the state, theft of money, misappropriations of funds, or other conditions provided for in R.S. 24:516.1 A. and B that has a dollar impact of \$150,000 or more.

**Louisiana Revised Statute 24:517.3**<sup>14</sup> authorizes LLA to contract with a licensed CPA to perform each state agency audit that LLA does not have the resources to audit.

**Louisiana Revised Statute 24:518**<sup>15</sup> provides for fines, imprisonment and removal from office for public officials and employees of state and local auditees who fail to provide records or other assistance to LLA as enumerated in this provision of the law. Also provides for consequences to any local auditee agency head who for three consecutive years has provided an audit report with a disclaimer of opinion<sup>16</sup> to LLA.

**Louisiana Revised Statute 24:519**<sup>17</sup> requires a state agency's or local auditee's management to provide a plan of remedial action for findings and management letter comments<sup>18</sup> included in any report issued by LLA; and provides for actions to be taken by the district attorney when an audit report issued by LLA discloses illegalities or fraud.

**Louisiana Revised Statute 24:523**<sup>19</sup> requires an agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of his agency to immediately notify, in writing, LLA and the district attorney of the parish in which the agency is domiciled.

**Louisiana Revised Statute 24:523.1**<sup>20</sup> requires every auditee to post, in a conspicuous place upon its premises, a notice with information concerning the reporting of misappropriation, fraud, waste or abuse of public funds to LLA.

**Louisiana Revised Statute 24:554 (B)**<sup>21</sup> provides that if a local auditee fails for three consecutive years and without appropriate cause to sufficiently resolve findings<sup>22</sup> contained in its annual financial reports submitted

to LLA, the Legislative Audit Advisory Council<sup>23</sup> may direct the State Treasurer to withhold funds to the local auditee.

## **QUESTIONS:**

**Q.** What type of books and records must a local auditee provide to LLA?

**A.** Louisiana Revised Statute (R.S.) 24:513 A. (1) (a) gives LLA (and a CPA firm performing any audit or other engagement on behalf of LLA) access to all papers, books, accounts, records, files, instruments, documents, films, tapes, and any other forms of recordation of all auditees, including but not limited to computers and recording devices, and all software and hardware which hold data, is part of the technical processes leading up to the retention of data, or is part of the security system. Much of the information LLA has access to is confidential information, including tax return information; LLA is required to must keep such information confidential.

**Q.** What types of assistance must a local auditee provide to LLA?

**A.** Louisiana Revised Statute 24:513 E. authorizes LLA to call upon any public official or employee for assistance and advice, and such assistance shall be given through the assignment of personnel or in such other manner as necessity requires.

**Q.** Does LLA have the authority to force an agency to correct its findings?

**A.** LLA has no legal authority to force an agency to correct its findings. And, the power to force an agency LLA audits to correct its findings could be perceived as an impairment of LLA's independence regarding the agencies that report to it. However, R.S. 24:554 (B) allows the Legislative Audit Advisory Council, the body that oversees LLA, to direct the state treasurer to withhold funds from any local auditee that has failed for three consecutive years, and without appropriate cause, to resolve the findings contained in the local auditee's annual financial report. LLA also refers findings in reports to other regulatory bodies, including district attorneys, the state Ethics Board, the state Attorney General, and the US Attorney, as appropriate, for further action.

## **Links:**

1. <http://legis.la.gov/Legis/Law.aspx?d=206407>
2. [https://app.la.state.la.us/llala.nsf/FBB854B9062A65EF86257AB50073BB20/\\$FILE/Audit%20Law%20FAQ.pdf](https://app.la.state.la.us/llala.nsf/FBB854B9062A65EF86257AB50073BB20/$FILE/Audit%20Law%20FAQ.pdf)
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1050-louisiana-governmental-audit-guide>
5. <http://legis.la.gov/Legis/Law.aspx?d=330358>
6. <http://legis.la.gov/Legis/Law.aspx?d=84131>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
8. <http://legis.la.gov/Legis/Law.aspx?d=84132>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
10. <http://legis.la.gov/Legis/Law.aspx?d=409917>
11. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1070-special->

reporting-district-public-defenders

12. <http://legis.la.gov/Legis/Law.aspx?d=84133>
13. <http://legis.la.gov/Legis/Law.aspx?d=918945>
14. <https://lla.la.gov/go/AK2PP8>
15. <https://lla.la.gov/go/AK2PPQ>
16. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1160-types-of-auditors-opinions>
17. <http://legis.la.gov/Legis/Law.aspx?d=84139>
18. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1180-findings-and-management-letter-comments>
19. <http://legis.la.gov/Legis/Law.aspx?d=84144>
20. <http://legis.la.gov/Legis/Law.aspx?d=918947>
21. <http://legis.la.gov/Legis/Law.aspx?d=84151>
22. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1280-unresolved-findings-and-the-three-strikes-rule>
23. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1060-legislative-audit-advisory-council>

*NB: This document is the current version as of 04-26-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Organization and Services ( 100-1030 )

The Louisiana Legislative Auditor's (LLA's) office is divided into several sections.

The largest section within LLA is **Financial Audit Services (FAS)**. FAS staff perform the financial and compliance audits of Louisiana state agencies and universities in accordance with professional auditing standards prescribed by the American Institute of Certified Public Accountants, and the standards issued by the United States Government Accountability Office. FAS auditors operate from LLA's main office in Baton Rouge; and are also located in New Orleans, Alexandria, Lafayette, Monroe and Shreveport. Over half of FAS staff are certified public accountants.

The other sections within LLA that perform audits are **Investigative Audit Services (IAS)**, **Performance Audit Services (PAS)**, and **Recovery Assistance Services (RAS)**. IAS audits are performed to detect and deter the misappropriation of public assets on the state and local level. PAS audits are designed to address matters relating to the economy, efficiency, and effectiveness of programs, functions and activities of state and local government agencies. RAS auditors ensure that federal disaster recovery funds granted to the state are expended in accordance with federal and state laws, rules, and regulations.

Other sections of LLA operate more in an administrative and advisory capacity. **Local Government Reporting (LGR)** staff issue more than 4,000 local government and quasi-public agency reports annually, and oversee the work of the CPA firms that audit these agencies. **Advisory Services (AS)** provides guidance to local governments to improve fiscal and programmatic operations (including financial reporting quality). AS works with local officials and staff and partners with CPAs to foster positive change and promote efficiency and effectiveness in local government.

The **Legal** section provides written and oral opinions related to legal questions submitted by LLA staff, CPAs, and public officials; and has developed Frequently Asked Questions documents and other research tools to provide assistance to local government agencies and the CPAs that audit them. These tools are available on LLA's website. Legal staff also provides assistance to local governments relative to their ad valorem tax assessments.

**Actuarial Services'** work is related to the state and statewide public retirement systems. Actuarial Services staff prepares actuarial cost analysis for all proposed legislation affecting these systems;

review the systems' actuarial valuations and audited financial statements, and certify cost-of-living allowances. Actuarial Services also issues an annual report on Louisiana public retirement systems for the Legislature and the Governor.

LLA staff also prepares analysis documents called fiscal notes to assist the Louisiana Legislature in determining the financial impact of bills that are considered during each legislative session.

**Information Technology** and **Administrative** staff members provide technical, accounting, human resources, professional development, and other support for the mission of LLA, which is "to foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information."

*NB: This document is the current version as of 09-21-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

What The Legislative Auditor Can Do And Cannot Do ( 100-1040 )

The Louisiana Legislative Auditor (LLA) office has broad authority under the audit law<sup>1</sup> to audit the records of state agencies, and local government agencies and quasi-public organization (local auditees); and to regulate the audits and other engagements of agencies that report to LLA that are performed by private CPA firms.

LLA maintains an audit report library<sup>2</sup>, accessible by the public, of the most recent annual financial statements of state and local auditees on its website ([www.lla.la.gov](http://www.lla.la.gov))<sup>3</sup>.

LLA provides assistance and guidance regarding accounting, legal and other matters to local auditees<sup>4</sup> and the CPAs that perform their audits<sup>5</sup>.

LLA takes allegations and complaints through the Legislative Auditor Fraud Hotline<sup>6</sup> pertaining to the agencies that report to LLA. If the allegation is related to the expenditure of public funds the agency receives, LLA either follows up on the allegation in-house, or sends it to the CPA firm performing the agency’s audit for follow up.

Between its staff and website, LLA houses a wealth of useful information. Because of this, many people believe that LLA should be able to answer any question about any financial matter.

However, LLA is, at its foundation, a reporting agency. LLA does not make payments to agencies or individuals. LLA cannot answer questions about the status of personal tax returns and other personal financial matters, or answer questions on behalf of other state or local government agencies.

Although LLA has the power to issue reports that disclose fraud and misappropriations, it cannot arrest or bring charges against the persons who commit these acts.

The following questions and problems should be referred to the indicated agency:

Question or problem	Contact
Complaint about a CPA, not related to a report issued by LLA	State Board of CPAs of Louisiana

Complaint about a local government or public official, not related to the public funds the agency receives	District Attorney, State Attorney General
Complaint about a nonprofit agency that does not receive public funds	Secretary of State, District Attorney, State Attorney General
Complaint about water quality	State Department of Environmental Quality
Ethics complaint	State Ethics Board
Local government agency denies access to public records	District Attorney
Personal lawsuit against a state or local government agency	Personal legal counsel
Question about an individual's pension payments	Pension system
Question about personal or business property tax assessment	Parish assessor
State or federal tax question	Louisiana Department of Revenue, IRS, or personal CPA
Status of state tax refund	Louisiana Department of Revenue
Status of payments from other state agencies	State agency responsible for the payment
Utilities cut off for nonpayment	Utility company

## QUESTIONS:

**Q.** Does LLA maintain copies of the CPA's workpapers related to local auditee audits?

**A.** No. Those workpapers are maintained in the office of the CPA firm that performed the related audit.

## Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <https://lla.la.gov/reports/audit-reports>
3. <http://www.lla.la.gov/>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1270-legislative-auditor-assistance-to-local-auditees>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1290-legislative-auditor-assistance-to-cpa-firms>

6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1070-legislative-auditor-fraud-hotline>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Louisiana Governmental Audit Guide ( 100-1050 )

The Louisiana Legislative Auditor (LLA) is the agency that oversees the expenditure of public funds in Louisiana.

LLA executes this oversight by performing the audits of Louisiana state agencies; and through the review of the audit and other reports of local government agencies and quasi-public organizations (local auditees)<sup>1</sup> in Louisiana that are submitted by private CPA firms.

The Louisiana Governmental Audit Guide (LAGAG) is the document that sets forth the standards by which local auditee engagements must be performed. The LAGAG is authorized by the audit law<sup>2</sup> (Louisiana Revised Statute (R.S.) 24:513 A. (5) (a) (i)<sup>3</sup>); and is jointly published by LLA and the Society of Louisiana Certified Public Accountants' Governmental Accounting and Auditing Committee; with input from the Louisiana Municipal Association, the Louisiana Police Jury Association, the Louisiana School Board Association, and other interested parties.

The LAGAG incorporates Louisiana law with relevant professional accounting and reporting standards and other information to provide a useful document for CPAs and the agencies that they audit.

For questions about the content contained in the LAGAG, please contact LLA Local Government Services<sup>4</sup>.

#### **QUESTIONS:**

**Q.** Does the LAGAG contain all of the legal and accounting information a local auditee needs to perform its operations?

**A.** Although the LAGAG is intended to assist local auditees, it does not include all of the legal and accounting information an agency needs to perform its operations, nor is it a substitute for professional, legal or accounting advice; or professional or personal judgment. Local auditees should use the information in the LAGAG, in conjunction with the guidance of the professionals most familiar with the particular facts and circumstances regarding their agency, in the performance of their operations.

**Q.** Is the LAGAG considered to be a “safe harbor” document for CPAs to follow, containing all of the guidance they need to follow while performing their audits and other engagements for local

auditees?

**A.** Although the LAGAG is intended to assist CPAs in performing their audits and other engagements for local auditees, it does not include a detailed analysis of all of the professional auditing and accounting standards an CPA must consider during his or her audit, nor is it a substitute for professional judgment. CPAs must reach their own conclusions through research of all applicable auditing and accounting standards, in addition to the LAGAG, in the performance of their local auditee engagements.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Legislative Audit Advisory Council ( 100-1060 )

The Legislative Audit Advisory Council (LAAC) is a joint committee of the Louisiana Legislature, composed of five senators and five representatives. LAAC is charged by Louisiana Revised Statute 24:551-559 with the oversight of the Louisiana Legislative Auditor (LLA).

LAAC has the authority to –

Review and approve LLA's annual budget and fix the salary of the Legislative Auditor

Hold hearings; subpoena witnesses; administer oaths; compel the production of books, documents, records and papers, public and private, order the compiling and furnishing of sworn statements, and petition, directly or through the courts, writs of mandamus

Direct the state treasurer to withhold funds from any local auditee (local government agency or quasi-public organization) <sup>1</sup>that has failed for three consecutive years, and without appropriate cause, to resolve the findings contained in the local auditee's annual financial report

LAAC advises and consults with LLA with respect to all matters arising out of LLA's functions, duties, and responsibilities to the Legislature, and makes such recommendations to LLA and to the Legislature as it deems necessary or expedient.

### QUESTIONS:

**Q.** When does LAAC meet?

**A.** LAAC does not have regularly scheduled meetings; it meets as it deems necessary.

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Legislative Auditor Fraud Hotline ( 100-1070 )

A person who suspects the misappropriation (theft), fraud, waste or abuse of public funds by anyone within a Louisiana state or local government agency or quasi-public organization may send an allegation or complaint to the Legislative Auditor Fraud Hotline<sup>1</sup>, located on the Louisiana Legislative Auditor's (LLA's) website.

The hotline may also be used to make a complaint regarding the suspected misuse of public funds by anyone outside a Louisiana state or local government agency or quasi-public organization.

LLA reviews each allegation received through the fraud hotline to determine the best manner in which to resolve it – whether it will be investigated by LLA staff, or sent to the CPA firm that is performing the agency's annual audit or review/attestation engagement, to follow up on it during the engagement. Allegations are not normally sent to CPAs performing compilation engagements because of the limited scope of these engagements.

The person making an allegation through the Legislative Auditor Fraud Hotline should include sufficient detail (who, what, when, where, why and how) to allow LLA to fully evaluate the information. Allegations may be made anonymously; but providing LLA with your contact information is helpful if LLA staff have additional questions about the allegation.

LLA will not disclose the name of a person making an allegation except to the CPA who receives the allegation in order to follow up on it during the course of their audit or review/attestation engagement. The CPA receiving the allegation is instructed not to disclose the identity of the person making the allegation. However, if LLA's records or the records of the CPA are subpoenaed, the name of the person making the allegation may become public.

**Louisiana Revised Statute 24:523.1<sup>2</sup>** requires every auditee to post, in a conspicuous place upon its premises, a notice with information concerning the reporting of misappropriation, fraud, waste or abuse of public funds to LLA.

### QUESTIONS:

**Q.** What kinds of fraud, waste or abuse can be reported to the Legislative Auditor Fraud Hotline?

**A.** The following list contains examples of kinds of fraud, waste or abuse that can be reported

through the hotline:

- Theft of public funds and/or equipment
- Personal use of public funds and/or equipment
- Agency is doing business with a public official affiliated with the agency or an employee
- Public official or employee has accepted something of value or a kickback from a vendor
- Public official or employee has falsified payroll records or requests for expense reimbursements
- Agency has paid a vendor for work that was not performed
- Agency has paid a vendor an excessive amount for services

The above list is not all-inclusive; other types of fraud, waste and abuse may be reported.

**Q.** I am an employee of a local government agency. I believe funds are being misappropriated in our organization. May I use LLA's Fraud Hotline to make an anonymous complaint, or is it restricted for the use of private citizens outside of the organization?

**A.** I am an employee of a local government agency. I believe funds are being misappropriated in our organization. May I use LLA's Fraud Hotline to make an anonymous complaint, or is it restricted for the use of private citizens outside of the organization?

**Q.** I am a private citizen who believes that a certain local government agency is misappropriating funds. May I request that LLA perform an audit of the agency instead of a private CPA firm?

**A.** A private citizen may submit allegations to LLA through the fraud hotline. However, due to limited staff, LLA may not be able to follow up on an allegation through its own audit of a local government or quasi-public agency. If LLA cannot address your allegation through its own resources, LLA will send the allegation to the CPA that is performing the agency's audit or review/attestation, and ask the CPA to address it during their engagement.

**Q.** I sent an allegation to LLA. When can I expect to hear back from them with the results of their investigation?

**A.** LLA does not normally report the results of an investigation directly to the source of the allegation. If the allegation has merit and is material to the financial statements, the CPA is required to report the condition in the audit or review/attestation report.

**Q.** I submitted an allegation to LLA about an agency. That agency was audited by a CPA firm, and the audit report was recently released. The CPA didn't write a finding about my allegation. Does this mean that the CPA didn't do their job?

**A.** CPAs are required by professional standards and LLA to review and consider allegations during their audit or review/attestation engagements; but they are not required to report the allegation as a finding if the allegation has no merit; is not related to matters that would normally be reported in an agency's annual financial report, or has merit but the effect on the financial statements is immaterial.

**Q.** I really want to talk to someone about an allegation. May I speak to someone at LLA directly, or

do I have to report the allegation on the on-line form?

**A.** You can call the Fraud Hotline at 1-844-503-7283 and speak to an LLA employee about the allegation.

**Q.** May I send in the allegation by mail or by fax?

**A.** Allegations can be sent to LLA by mail (LLA Hotline, PO Box 94397, Baton Rouge, LA, 70804) or by fax (1-844-403-7283).

**Q.** I have a complaint about a nonprofit that does not receive public funds and does not report to LLA. May I send the complaint to LLA?

**A.** A complaint about a nonprofit organization that has no reporting requirement to LLA should be directed to the Louisiana Secretary of State or the district attorney of the judicial district in which the nonprofit is located.

**Links:**

1. <https://lla.la.gov/report-fraud/report-fraud-form>
2. <http://legis.la.gov/Legis/Law.aspx?d=918947>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Fiscal Administration Statutes ( 100-1080 )

The fiscal administration statutes (Louisiana Revised Statute (R.S.) 39:1351-1357) were enacted in 1990 to allow state intervention if a political subdivision's fiscal stability is in jeopardy.

The Louisiana Legislative Auditor (LLA), State Treasurer, and Attorney General (the Fiscal Review Committee) are authorized by R.S. 39:1351 to meet as often as necessary to review the financial stability of the political subdivisions of the state.

Financial stability is defined as:

A condition in which the political subdivision is capable of meeting its financial obligations in a timely manner as they become due without substantial disposition of assets outside the ordinary course of business, substantial layoffs of personnel, or interruption of statutorily or other legally required services of the political subdivision, restructuring of debt, revision of operations, or similar actions

If the Fiscal Review Committee determines unanimously that a political subdivision is reasonably certain to not maintain financial stability, including but not limited to having insufficient revenue to pay current expenditures, excluding civil judgments; or failing to make a debt service payment, the Attorney General shall file a motion in district court to appoint a fiscal administrator.

Other criteria for the appointment of a fiscal administrator are the failure of a political subdivision to provide its audit or other report required by R.S. 24:513 to LLA for three consecutive years; or the failure of a school board to resolve its status as financially at risk, as defined by the State Board of Elementary and Secondary Education.

The duties of a fiscal administrator are outlined in R.S. 39:1352; and include the authority to direct all fiscal operations of the political subdivision and to take whatever action deemed necessary to return the political subdivision to financial stability.

The fiscal administrator has broad authority to direct all operations of the political subdivision regarding budgets, debt, contracts, and personnel of the political subdivision. The officers, including elected officials of the organization assist the fiscal administrator in an advisory capacity. If a conflict arises, the decision of the fiscal administrator prevails. Failure of an official to cooperate with the fiscal administrator may result in fines and imprisonment.

The fiscal administrator makes periodic reports to the court and the Fiscal Review Committee.

Once appointed, the fiscal administrator may only be removed by the court at his own request; or as provided for in R.S. 39:1354, or for fraud, negligence, or misconduct.

Because many of the political subdivisions placed under fiscal administration are financially insolvent, R.S. 39:1357 authorizes the creation of a fund, managed by the State Treasurer, for the purpose of funding the costs and expenses of fiscal administrators.

LLA's Legal Division has prepared an informational document on Fiscal Administrator Law<sup>1</sup> that is available on the LLA website.

**Links:**

1. [https://app.lla.state.la.us/llala.nsf/3D643FC43389F3DB86257BCD007473E3/\\$FILE/Fiscal%20Administrator%20FAQ.pdf](https://app.lla.state.la.us/llala.nsf/3D643FC43389F3DB86257BCD007473E3/$FILE/Fiscal%20Administrator%20FAQ.pdf)

*NB: This document is the current version as of 04-06-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Staff Directory ( 100-1090 )

Question pertains to Contact		Title	Phone Number	Email Address
Accounting questions - local auditees	Diane Allison, CPA	Director of Local Government Services	(225) 339-3812	dallison@LLA.La.gov
Agencies in fiscal administration	Barry Kelly, MBA, CIA	Special Projects Senior I	(225) 339-3831	bkelly@LLA.LA.gov
Allegations	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	gfransen@LLA.La.gov
Cancelling engagements	Sudha Jindia, CPA	Engagement Administrator	(225) 339-3813	sjindia@LLA.La.gov
Center for Local Government Excellence (CLGE)	Liz Martin	Administrative Assistant	(225) 339-3995	egmartin@LLA.la.gov
Change of engagement type on approved engagement	Sudha Jindia, CPA	Engagement Administrator	(225) 339-3813	sjindia@LLA.La.gov
	Gina Guzzardo	Engagement Administrative Specialist	(225) 339-3814	gguzzardo@LLA.La.gov
CPA access to local auditee records	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	gfransen@LLA.La.gov
CPA firm and contact ID numbers	Gina Guzzardo	Engagement Administrative Specialist	(225) 339-3814	gguzzardo@LLA.La.gov
CPA firm approval	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	gfransen@LLA.La.gov
Determining a local auditee's reporting	Sudha	Engagement	(225) 339-	

requirement to the Legislative Auditor	Jindia, CPA	Administrator	3813	<a href="mailto:sjindia@LLA.La.gov">sjindia@LLA.La.gov</a>
Determining whether an entity is required to report to the Legislative Auditor	Sudha Jindia, CPA	Engagement Administrator	(225) 339-3813	<a href="mailto:sjindia@LLA.La.gov">sjindia@LLA.La.gov</a>
Disclaimer of opinion or other modified auditor's opinion	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	<a href="mailto:gfransen@LLA.La.gov">gfransen@LLA.La.gov</a>
Disputes between local auditee and their auditor	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	<a href="mailto:gfransen@LLA.La.gov">gfransen@LLA.La.gov</a>
Engagement approval status	Gina Guzzardo	Engagement Administrative Specialist	(225) 339-3814	<a href="mailto:gguzzardo@LLA.La.gov">gguzzardo@LLA.La.gov</a>
Expedited review of a report	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	<a href="mailto:gfransen@LLA.La.gov">gfransen@LLA.La.gov</a>
GASB 68 questions	Diane Allison, CPA	Director of Local Government Services	(225) 339-3812	<a href="mailto:dallison@LLA.La.gov">dallison@LLA.La.gov</a>
Independence questions	Diane Allison, CPA	Director of Local Government Services	(225) 339-3812	<a href="mailto:dallison@LLA.La.gov">dallison@LLA.La.gov</a>
Legislative Auditor's Fraud Reporting Template	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	<a href="mailto:gfransen@LLA.La.gov">gfransen@LLA.La.gov</a>
Local auditee agency ID numbers	Gina Guzzardo	Engagement Administrative Specialist	(225) 339-3814	<a href="mailto:gguzzardo@LLA.La.gov">gguzzardo@LLA.La.gov</a>
Local auditee delay in engaging CPA	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	<a href="mailto:gfransen@LLA.La.gov">gfransen@LLA.La.gov</a>
Local auditee's records have been destroyed	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	<a href="mailto:gfransen@LLA.La.gov">gfransen@LLA.La.gov</a>
Louisiana	Gayle			

Governmental Audit Guide	Fransen, CPA	Engagement Manager	(225) 339-3874	gfransen@LLA.La.gov
Non-routine engagement approval	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	gfransen@LLA.La.gov
Parish executive committee and state central committee reports (political parties)	Tanya Forbes	Engagement Staff Analyst	(225) 339-3820	tforbes@LLA.La.gov
Peer reviews	Tanya Forbes	Engagement Staff Analyst	(225) 339-3820	tforbes@LLA.La.gov
Problems submitting reports through Local Government Reporting System web portal	Keith Duke	Sr. Systems Analyst/Applications Developer	(225) 339-3920	kduke@LLA.La.gov
Reissued reports	Gayle Fransen, CPA Gina Guzzardo	Engagement Manager Engagement Administrative Specialist	(225) 339-3874 (225) 339-3814	gfransen@LLA.La.gov gguzzardo@LLA.La.gov
Report status	Gina Guzzardo	Engagement Administrative Specialist	(225) 339-3814	gguzzardo@LLA.La.gov
Reporting fraud and misappropriations to the Legislative Auditor	Gayle Fransen, CPA	Engagement Manager	(225) 339-3874	gfransen@LLA.La.gov
Set up new local auditees to report to the Legislative Auditor	Sudha Jindia, CPA	Engagement Administrator	(225) 339-3813	sjindia@LLA.La.gov
Special reporting - Act 87 schedules -				

Justice system agencies court costs, fines and fees	Barry Kelly, MBA, CIA I	Special Projects Senior	(225) 339-3831	bkelly@LLA.la.gov
Special reporting - juvenile justice districts	Tanya Forbes	Engagement Staff Analyst	(225) 339-3820	tforbes@LLA.La.gov
State boards and commissions reports	Jamie Morgan, CPA	Financial Audit Services Senior Auditor	(225) 336-8104	statecontracts@LLA.La.gov
State government contracts	Jamie Morgan, CPA	Financial Audit Services Senior Auditor	(225) 336-8104	statecontracts@LLA.La.gov
Statewide agreed-upon procedures	Barry Kelly, MBA, CIA I	Special Projects Senior	(225) 339-3831	bkelly@LLA.La.gov
	Diane Allison, CPA	Director of Local Government Services	(225) 339-3812	dallison@LLA.La. gov
Technical assistance - CPAs	Diane Allison, CPA	Director of Local Government Services	(225) 339-3812	dallison@LLA.La.gov
Update CPA firm contact information	Gina Guzzardo	Engagement Administrative Specialist	(225) 339-3814	gguzzardo@LLA.La.gov
Update local auditee contact information	Gina Guzzardo	Engagement Administrative Specialist	(225) 339-3814	gguzzardo@LLA.La.gov
Username and passwords for Local Government Reporting System	Keith Duke	Sr. Systems Analyst/Applications Developer	(225) 339-3920	<a href="mailto:kduke@LLA.La.gov">kduke@LLA.La.gov</a>

# Links:

1. <mailto:dallison@lla.la.gov>
2. <mailto:BKelly@LLA.La.gov>
3. <mailto:gfransen@lla.la.gov>
4. <mailto:sjindia@lla.la.gov>
5. <mailto:egmartin@lla.la.gov>

6. <mailto:gguzzardo@lla.la.gov>
7. <mailto:tforbes@lla.la.gov>
8. <mailto:kduke@lla.la.gov>
9. <mailto:bkelly@lla.la.gov>
10. <mailto:statecontracts@lla.la.gov>

*NB: This document is the current version as of 08-03-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Louisiana State Government Agencies ( 200-1010 )

The powers of Louisiana state government are divided between three separate and distinct branches; the legislative branch, the executive branch, and the judicial branch.

The legislative branch, through the Louisiana Legislature, is responsible for determining policy through the enactment of laws, subject to federal and state constitutional restrictions. The Louisiana Legislature has the power to appropriate funds to finance the programs and functions of state government.

The executive branch, through the office of the governor and its related departments and agencies, is responsible for the administration and enforcement of the state Constitution, and the laws passed by the Louisiana Legislature.

The judicial branch is responsible for interpreting the laws of the state and resolving legal conflicts. The judicial branch includes circuit courts, courts of appeal, and the Louisiana Supreme Court.

The financial activity of all three branches of state government is reported within the state's annual comprehensive financial report or ACFR. The Division of Administration, which is one of the departments within the executive branch of Louisiana state government, makes the determination as to whether an agency is to be included in the ACFR, based upon the guidance provided by Governmental Accounting Standards Board (GASB) Statement 14.

The state's ACFR also includes the financial activity of state colleges and universities.

The state's ACFR is audited annually by the Louisiana Legislative Auditor's (LLA's) Financial Audit Services section. The state's most recent audited ACFR is available on LLA's Audit Report Library<sup>1</sup>.

### QUESTIONS:

**Q.** Does LLA perform audits of all state agencies?

**A.** LLA performs the audits of most state agencies, but does contract with private CPA firms for the audits of a small number of state agencies, mostly boards and commissions.

**Q.** I am a state board that is required to report to the Legislative Auditor. May I hire my own

auditor?

**A.** LLA performs the audits of most state agencies with Legislative Auditor staff. There are, however, a few agencies (mostly boards and commissions, levee districts, and retirement systems) for which LLA does not have sufficient staff to perform the engagements. LLA arranges for these engagements with private CPA firms through an SFP process, and is a party to these engagements.

A state agency that receives between \$75,001 and \$199,999 in public funds may contract with a CPA firm on LLA's approved list<sup>2</sup> to perform a compilation engagement. And, a state agency that receives \$75,000 or less may prepare its own annual financial report package to submit to the Office of Statewide Reporting and Accounting Policy and LLA, or hire an outside CPA firm to prepare the package, at the state agency's own discretion. For additional information, please contact LLA<sup>3</sup>.

**Q.** I am a state board. How do I know if I am fulfilling my reporting requirement to LLA?

**A.** Although many boards and commissions are audited by CPAs, many boards and commissions are included within the scope of LLA's audit of the board's or commission's oversight agency. For further information, please contact LLA<sup>3</sup>.

**Q.** How would a CPA firm find out about the state engagements that are available?

**A.** Information regarding current solicitations for proposal for state engagements<sup>4</sup> and information on how to respond to these solicitations are available on LLA's website.

**Q.** If an agency receives public funds but is not included in the ACFR, are they just not audited?

**A.** Any governmental or quasi-public organization that is not included in the state's ACFR is designated as a local auditee<sup>5</sup> by LLA. Local auditees are required to provide an annual financial report to LLA from the first dollar of public funds received. When local auditees are identified, LLA contacts them and instructs them to provide their annual financial reports to LLA.

### **Links:**

1. <https://lla.la.gov/reports/audit-reports>
2. <https://lla-craft.rockitscienceagency.com/resources/approved-cpas>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
4. <https://lla.la.gov/resources/local-government-reporting/state-contracts>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>

*NB: This document is the current version as of 04-27-2022.*



## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Local Government Agencies And Quasi-Public Organizations (Local Auditees) ( 200-1020 )

The audit law<sup>1</sup> (Louisiana Revised Statute (R.S.) 24:513 A.<sup>2</sup>) divides agencies that report to the Louisiana Legislative Auditor (LLA) into two categories –

State agencies, departments, boards, and commissions that are included within the state's annual comprehensive financial report or ACFR (See Louisiana State Government Agencies<sup>3</sup>).

The offices of independently elected public local officials, including judges, sheriffs, clerks of court, assessors and district attorneys; parish governing authorities and all political subdivisions, districts, and boards and commissions created by parish governing authorities or by law; school boards; district public defender offices; municipalities and all political subdivisions and boards and commissions created by municipal governing authorities; city courts, quasi-public agencies, housing authorities, mortgage authorities, or other political subdivisions of the state that are not included in the state's ACFR. These agencies are also referred to as **local auditees**.

The audit of the state's ACFR is performed, for the most part, by LLA staff. LLA does contract with private CPA firms for the audits of some of the smaller state agencies (mainly boards and commissions).

The audits and other engagements of local auditees are performed by CPA firms that are approved by LLA. LLA approves the engagement and receives the report once it is complete.

LLA may perform the audits of local auditees if any of the conditions found in R.S. 24:513 A. (4) (a) are present.

#### QUESTIONS:

**Q.** How often are local auditees audited?

**A.** All local auditees provide an annual financial report to LLA. The report they provide may be an audit or another type of report, based on the amount of revenues the local auditee receives.

**Q.** What is the definition of a quasi-public agency that must report to LLA?

**A.** A quasi-public agency or body is defined in R.S. 24:513 A. (1) (b):

(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 by a governmental entity or individual governmental 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.

(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.

(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.

**Q.** Under what conditions would LLA audit a local auditee?

**A.** The criteria of R.S. 24:513 A. (4) (a) provide guidance as to when LLA may perform an audit of a local auditee. These conditions include:

- The local auditee has failed, after thirty days written notice from LLA, to comply with the provisions of R.S. 24:513 relating to timely audits

- The

Legislative Audit Advisory Council <sup>4</sup>(LAAC) and LLA have determined that the local auditee is unable to pay for an audit by a licensed CPA

- The local auditee exhibits a record of egregious control deficiencies and failures to comply with laws and regulations

- LLA has received complaints of illegal or irregular acts with respect to the local auditee

- The local auditee receives less than three proposals from licensed CPAs after requesting proposals for audit services, or if the local auditee receives three or more proposals that are all rejected by the local auditee for cause, including but not limited to excessive cost.

- If in the opinion of LLA and LAAC, the best interest of the state of Louisiana would be served if LLA performed the audit.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1010-louisiana-state-government-agencies>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1060-legislative-audit-advisory-council>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Assessors ( 200-1030 )

Each of Louisiana's 64 parishes has an assessor. The legal authority for the activities of an assessor's office is found in Article 7 Section 24 of the Louisiana Constitution of 1974, and Louisiana Revised Statute (R.S.) 47: 1901-1923.

Assessors are elected officials; and their offices are considered to be local auditees<sup>1</sup>; and are required to provide an annual financial report to the Louisiana Legislative Auditor.

Assessors calculate the value of real property in the parish, and the property or ad valorem taxes on that property. The assessor prepares the annual tax roll showing the assessed value of each property and the amount of property taxes due, and submits the tax roll to the Louisiana Tax Commission.

Assessors' offices are funded by an ad valorem tax levied by the assessment district, or compensation received from the various taxing authorities within the parish, prescribed by the formula found in R.S. 47:1907-8. Parish governing authorities are required by R.S. 33:4713 to provide suitable office space, furniture and equipment for parish assessors.

Article 7, Section 18 of the Louisiana Constitution of 1974 requires that all property subject to taxation be appraised and valued at intervals of not more than four years. Funds for reassessment are appropriated by the Louisiana Legislature to the Louisiana Tax Commission; and the Commission allocates these funds to the parish assessors. The Commission has developed guidelines for the receipt and expenditure of reassessment funds.

The Louisiana Compliance Questionnaire<sup>2</sup> requires assessors to provide statements or representations to their auditor regarding their compliance with certain provisions laws and regulations. Auditors are required to test the assessor's compliance with these laws and regulations.

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140->

## **louisiana-compliance-and-attestation-questionnaires**

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Clerks Of Court ( 200-1040 )

The legal authority for the activities of a clerk of court's office is found in Article 5, Section 28 of the Louisiana Constitution of 1974<sup>1</sup>, and in Louisiana Revised Statute (R.S.) 13:750<sup>2</sup>, et. seq. Each of Louisiana's 64 parishes has a clerk of court; and there are separate clerks in Orleans Parish for the civil and criminal district courts.

Clerks of court are elected officials; and their offices are considered to be local auditees<sup>3</sup>; and are required to provide an annual financial report to the Louisiana Legislative Auditor.

Clerks of court serve as clerks of the district court; the ex officio notary public, and the parish recorder of conveyances, mortgages, and other acts.

Clerks of court collect all fees and charges due to the clerk's office, and deposit them in a fund known as the clerk's salary fund (R.S. 13:781) or general fund. Clerks of court also maintain certain deposits (advance deposits, registry of court funds, and bonds) until a final judgment is made by the court. Parish governing authorities are required by R.S. 33:4713 to provide suitable office space, furniture and equipment for parish clerks of court.

The Louisiana Compliance Questionnaire<sup>4</sup> requires clerks to provide statements or representations to their auditor regarding their compliance with certain provisions laws and regulations. Auditors are required to test the clerk's compliance with these laws and regulations.

#### **Links:**

1. <http://www.legis.la.gov/Legis/Law.aspx?p=y&d=206466>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=285078>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### District Courts| Criminal Court Funds| District Attorneys| District Public Defenders| and Judicial Expense Funds ( 200-1050 )

Louisiana state law has established 42 judicial districts to provide for the district court system in Louisiana. Judicial districts may encompass single or multiple parishes.

The financial operations of district courts are accounted for in the financial statements of a number of different local government agencies, including clerks of court<sup>1</sup>, criminal court funds, district attorneys, district public defenders, and judicial expense funds. Each of these entities is considered to be a local auditee<sup>2</sup> for purposes of reporting to the Louisiana Legislative Auditor (LLA)

**Criminal court funds** are established within each parish by Louisiana Revised Statute (R.S.) 15:571.11. The criminal court is funded through fines and forfeitures imposed by the district court in criminal cases. Expenditures of the fund are for the general operating costs of the criminal court; which includes transcripts, statements, costs of the petit and grand juries, sheriff and clerk of court attendance fees, and certain costs of criminal court judges and district attorneys. Criminal courts may report to LLA through the criminal court fund in the related parish government authority audit; or through a separate audit report of the criminal court fund.

R.S. 16.1, et. seq establishes the office of **district attorney** within each judicial district. District attorneys are elected officials , and serve as the prosecuting attorneys for criminal court cases. District attorneys receive 12% of the fines imposed by the criminal court for the operations of their office. Other expenditures of the district attorney's office are funded by the state or federal programs, or by various other local government agencies. District attorneys may administer and account for child support enforcement programs, drug programs, worthless check collection programs, asset forfeitures, and other programs. Each district attorney provides a separate annual audit report to LLA.

**District public defenders** are appointed by the Louisiana Public Defender Board, which was created by R.S. 15:146 to provide for the supervision, administration, and delivery of the statewide public defender system. The board serves as the administrator of the Louisiana Public Defender Fund, which supports the district public defender offices throughout the state. R.S. 24:515.1 requires district public defenders to include certain information regarding their revenues and expenditures in their annual financial reports to LLA (see Special Reporting – District Public

Defenders<sup>3</sup>).

**Judicial expense funds** are established generally by R.S. 13:991-996; each judicial expense fund is also established by individual statute. Judges of district courts may levy court costs for the court's operation; the amount of court costs to be levied in civil and criminal cases is determined by the judge, or by the majority of the judges in those districts with more than one judge. The amount of costs levied cannot exceed the amount established by the creating statute. Court costs are normally collected by the clerk of court and the sheriff, remitted to the judge, and deposited to the judicial expense fund. The judge or majority of the judges in the district approves expenditures from the fund. Expenditures can be for any purpose cited in the creating statute, and normally include materials and supplies, the law library, and salaries of individuals appointed by the judge (law clerks, court reporters, clerks, research clerks, administrative staff, and other personnel). The creating statutes do not usually allow judges' salaries to be paid from the judicial expense fund.

The Louisiana Compliance Questionnaire<sup>4</sup> requires district attorneys and other entities within the judicial district system to provide statements or representations to their auditor regarding their compliance with certain provisions laws and regulations. Auditors are required to test these agencies' compliance with these laws and regulations.

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1040-clerks-of-court>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1070-special-reporting-district-public-defenders>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Hospital Service Districts ( 200-1060 )

Hospital service districts were established under the provisions of Louisiana Revised Statute 46:1051, et. seq.; and are created by the parish governing authority in which each district is domiciled. Hospital service districts are governed by a board of commissioners who are appointed by the parish governing authority. They are considered to be local auditees<sup>1</sup> for purposes of reporting to the Louisiana Legislative Auditor (LLA).

Revenues for hospital service districts include charges for services to patients, payments from insurance companies, and receipts from other governmental agencies in the form of reimbursements and grants. Medicare and Medicaid reimbursements make up a large part of these reimbursements. Hospitals are reimbursed for services rendered to Medicare and Medicaid patients at tentative rates, with final settlement determined annually after a cost report is submitted to and audited by Medicare/Medicaid program officials.

Some hospital service districts contract with a management company for the operations of the hospital. If this occurs, the hospital service district still has a reporting requirement to LLA. The management company may also have a reporting requirement to LLA, depending upon the terms and conditions of the agreement – whether the management company is acting more in the capacity of a vendor; or is instead responsible for the types of revenues and expenditures that normally would be reported in the hospital service district's audit.

The Louisiana Compliance Questionnaire<sup>2</sup> requires hospital service districts to provide statements or representations to their auditor regarding their compliance with certain provisions laws and regulations. Auditors are required to test the hospital service district's compliance with these laws and regulations.

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>

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## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Housing Authorities ( 200-1070 )

Public housing authorities in Louisiana were created in Title 40 of the Louisiana Revised Statutes (R.S.). R.S. 40:392 authorizes housing authorities in all cities and parishes, however, the authorities are not permitted to conduct business until certain conditions, defined in R.S. 40:392-395, are met.

All or most of the funding for housing authorities in Louisiana comes directly to the individual housing authority from the US Department of Housing and Urban Development. However, because housing authorities are set up under either a parish governing authority or a municipality, they are considered to be local auditees<sup>1</sup>; and are required to provide an annual financial report to the Louisiana Legislative Auditor (LLA).

Housing authorities provide housing assistance to low income individuals through two programs – Low income housing program, whereby ownership of the rental units is in the name of the housing authority

Section 8 housing program, whereby ownership of the rental units is in the name of private landlords

Each housing authority is governed by a five-member board of commissioners who are appointed by the mayor or the parish governing authority, and serve three-year staggered terms.

Most housing authorities provide annual financial reports to LLA separately from their related parish governing authority or municipality. Some parish governing authorities or municipalities administer a Section 8 program without a housing authority board. Those programs are usually accounted for in the parish governing authority's annual financial report.

The Louisiana Compliance Questionnaire <sup>2</sup>requires housing authorities to provide statements or representations to their auditor regarding their compliance with certain provisions laws and regulations. Auditors are required to test the housing authority's compliance with these laws and regulations.

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>

2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>

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## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Justices Of The Peace And Constables ( 200-1080 )

Justices of the peace are elected officials. Justices of the peace preside over courts of limited jurisdiction, and receive oversight from the Louisiana Supreme Court.

Constables are also elected officials. Constables are the marshals for the justice of the peace courts. They serve warrants and summons, collect garnishments, and process evictions and other matters pertaining to the court.

Justices of the peace and constables report to the Legislative Auditor (LLA) as local auditees<sup>1</sup>, but there is a special reporting provision for justices of the peace and constables<sup>2</sup> in the audit law<sup>3</sup> (Louisiana Revised Statute (R.S.) 24:513 J. (1) (a) (ii) (c) (i) (cc)<sup>4</sup>).

#### QUESTIONS:

**Q.** I am a justice of the peace. Both I and the constable of my court receive very little in the way of public funds, and most of that is retained for our salaries. Why do I have a reporting requirement to LLA?

**A.** Justices of the peace and constables are elected officials who receive public funds, and as such are local auditees required by the general provisions of the audit law to report to the LLA. Justices of the peace and constables are also specifically required to report to LLA by R.S. 24:513 J. (1) (a) (ii) (c) (i) (cc)<sup>4</sup>.

#### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1090-special-reporting-justices-of-the-peace-and-constables>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
4. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>

*NB: This document is the current version as of 04-06-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Municipalities ( 200-1090 )

Incorporated or chartered municipalities (cities, towns and villages) in Louisiana are considered to be local auditees<sup>1</sup>, and are required to provide an annual financial report to the Louisiana Legislative Auditor (LLA).

The majority of municipalities are chartered under Louisiana Revised Statute 33:321 – 463 (the Lawrason Act). Under the Lawrason Act, the municipality is governed by a mayor – board of aldermen form of government; with the legislative powers vested in the board of aldermen, and the mayor acting as the chief executive officer of the municipality. The officers of a Lawrason Act municipality are the mayor, aldermen, chief of police, tax collector, and municipal clerk. Depending upon the population of the municipality, a Lawrason Act municipality may have as many as nine or as few as three aldermen.

Municipalities not governed by Lawrason Act charter may be governed by home rule charter, or by legislative or special charter.

The population of a municipality determines if it is designated as a city, a town, or a village:

Population	Designation
Greater than or equal to 5,000	City
More than 1,000 but less than 5,000	Town
Less than or equal to 1,000	Village

City courts were created by R.S. 13:1871- 2512, and may have one or more elected judges, depending on the number of divisions in the court. In courts with multiple judges, the judge with the most seniority is the presiding judge of the court. Each court may have an elected marshal or constable; and the judge may appoint a clerk for the civil and criminal divisions of the court. Some city courts report to LLA separately from the municipality; others are included in the municipality’s audit report as a component unit<sup>2</sup>. The funds that are accounted for by a city court are similar to the funds received by a district court (see District Courts, Criminal Court Funds, District Attorneys, District Public Defenders, and Judicial Expense Funds<sup>3</sup>).

Municipalities often enter into cooperative endeavor agreements with quasi-public organizations<sup>4</sup> to facilitate certain public services, subject to the oversight of the municipality. These quasi-public organizations may be determined to be component units of the municipality. In addition, the municipality may join with other governmental agencies to create joint ventures that provide services within several governmental jurisdictions.

The Louisiana Compliance Questionnaire<sup>5</sup> requires municipalities to provide statements or representations to their auditor regarding their compliance with certain provisions laws and regulations. Auditors are required to

test the municipality's compliance with these laws and regulations.

The Louisiana Municipal Association's website<sup>6</sup> offers a wealth of useful information to municipalities and their auditors. The Legislative Auditor's website has frequently asked questions documents about the Lawrason Act<sup>7</sup> and mayor's courts<sup>8</sup>.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1150-component-units>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1050-district-courts-criminal-court-funds-district-attorneys-district-public-defenders-and-judicial-expense-funds>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1110-quasi-public-organizations>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>
6. <https://www.lma.org/>
7. [https://app.lla.state.la.us/lla/nsf/BC353E94C499B01086257AB800697A27/\\$FILE/Lawrason%20Act%20FAQ.pdf](https://app.lla.state.la.us/lla/nsf/BC353E94C499B01086257AB800697A27/$FILE/Lawrason%20Act%20FAQ.pdf)
8. [https://app.lla.state.la.us/lla/nsf/A6809D408B35FA9286257AB8006E9684/\\$FILE/Mayor's%20Court%20FAQ.pdf](https://app.lla.state.la.us/lla/nsf/A6809D408B35FA9286257AB8006E9684/$FILE/Mayor's%20Court%20FAQ.pdf)

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Parish Governing Authorities ( 200-1100 )

Louisiana is divided into 64 parishes, which correspond to counties in most other states. Parish governing authorities are set up under either a police jury or a home rule charter form of government.

Parishes set up under a police jury form of government are governed by the police jury. Parishes set up under a home rule charter have either a council-president, commission, consolidated, or city-parish type of governing board. Police juries and home rule charter governing boards are comparable to county boards of commissioners in other states.

Parish governing authorities are considered to be local auditees<sup>1</sup>, and are required to provide an annual financial report to the Louisiana Legislative Auditor.

The parish governing authority is only one part of the total parish governmental structure. Many functions are vested in other independently elected officials such as the assessor, coroner, clerk of court, district attorney, and sheriff.

Louisiana Revised Statute (R.S.) 33:1236 establishes the functions and powers of parish governing authorities, and authorizes them to provide for road and bridge construction and maintenance, drainage, sewerage, solid waste disposal, fire protection, parks and recreation, parish prison construction and maintenance, road lighting and marking, waterworks, health units and hospitals within the parish.

Parish governments also maintain the physical offices of the district court, assessor, coroner, clerk of court, registrar of voters, district attorney and sheriff; and promote economic development and tourism, regulate various business activities, and administer numerous state and federal programs on the parish level.

Parish governing authorities often create special service districts<sup>2</sup> and quasi-public organizations<sup>3</sup> to facilitate certain public services. These entities are subject to the oversight of the parish governing authority, and may be determined to be component units<sup>4</sup> of the parish government. In addition, the parish government may join with other governmental agencies to create joint ventures that provide services within several governmental jurisdictions.

Parish governing authorities are charged with the maintenance of parish roads and bridges, and the administration of funds provided by the state through the Parish Transportation Act (PTA). PTA monies may be used to: (1) regulate the proportion and direction of construction and repairing roads, bridges, causeways, dikes, dams, levees, and highways to better the parish road system; (2) purchase equipment for this work; (3) assist in the cost of public transit, and (4) when requested by a municipality, perform all or part of the maintenance of municipal roads and streets. In providing this funding, R.S. 48:755 and 758 imposes the following requirements on the parish government:

- A. Approval of the governing authority for any expenditures of PTA funds
- B. The development of a capital improvement program on a selective basis
- C. Centralized purchasing of equipment and supplies
- D. Centralized accounting
- E. Development of a selective maintenance program
- F. Development of a construction program based on engineering plans and specifications.

## G. Annual certification of compliance to the Legislative Auditor

The Louisiana Compliance Questionnaire<sup>5</sup> requires parish governing authorities to provide statements or representations to their auditor that they have complied with certain provisions of the PTA and other provisions of law. Auditors are required to test the parish government's compliance with these laws.

The Legislative Auditor's website has a frequently asked questions document<sup>6</sup> about the Parish Transportation Act.

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1150-special-service-districts-and-public-trusts>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1110-quasi-public-organizations>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1150-component-units>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>
6. [https://app.lla.state.la.us/lla.nsf/AFF9F8BA38C9576F86257AB8006EFF39/\\$FILE/Parish%20Transportation%20Fund%20Act%20FAQ.pdf](https://app.lla.state.la.us/lla.nsf/AFF9F8BA38C9576F86257AB8006EFF39/$FILE/Parish%20Transportation%20Fund%20Act%20FAQ.pdf)

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Quasi-Public Organizations ( 200-1110 )

Many public services in Louisiana are provided by quasi-public organizations. Quasi-public organizations include for-profit and not-for-profit agencies specifically created to assist government in providing public services. Quasi-public organizations also include not-for-profit agencies that receive local and/or state public funds (defined in the law as local or state assistance), but were not specifically created to assist government in providing public services.

The state audit law<sup>1</sup> (Louisiana Revised Statute (R.S.) 24:513 A.(1)(b)<sup>2</sup>) defines a quasi-public organization as:

(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 authority is elected by the general public;

(bb) a majority of the governing body is appointed by or authorized to be appointed by a governmental entity or individual governmental 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 of which is exempt from federal taxation; or

(ee) the entity can be dissolved unilaterally by a governmental entity and its net assets assumed without compensation by that governmental entity.

(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 good 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.

(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.

An entity that meets the definition of a quasi-public organization must report to the Legislative Auditor as a local auditee<sup>3</sup> under the audit law<sup>1</sup> (R.S. 24:513<sup>2</sup> and 24:514<sup>4</sup>).

Examples of quasi-public organizations include councils on aging, community action agencies, court -appointed special advocate organizations, volunteer fire departments, and water systems that receive grants from Louisiana state and local government agencies.

The Louisiana Compliance Questionnaire<sup>5</sup> requires quasi-public organizations to provide statements or representations to their auditor regarding their compliance with certain provisions laws and regulations. Auditors are required to test the agency's compliance with these laws and regulations.

The Louisiana Legislative Auditor has created a fillable form to help not-for-profit organizations to determine their reporting requirements under the audit law ([Reporting Requirements for Not-for-Profit Organizations](#)).

6

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <http://legis.la.gov/Legis/Law.aspx?d=84131>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>
6. <https://cms.lla.la.gov/assets/lagag/Nonprofit-Checklist.pdf>

*NB: This document is the current version as of 11-17-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Retirement Systems ( 200-1120 )

Public retirement systems in Louisiana provide retirement benefits to state and local government employees. The Louisiana Revised Statutes provide for the funding and benefits of these systems.

Four public retirement systems in Louisiana are considered to be state agencies<sup>1</sup> and are included in the state's annual comprehensive financial report (ACFR). These are referred to as **state retirement systems**:

Louisiana State Employees' Retirement System

Teachers' Retirement System of Louisiana

Louisiana School Employees' Retirement System

Louisiana State Police Retirement System

The four state retirement systems provide stand-alone audit reports to the Louisiana Legislative Auditor (LLA). These reports are available to the public through the audit report library<sup>2</sup> on LLA's website.

Nine public retirement systems in Louisiana offer benefits to employees who work for certain types of local government agencies throughout the state. These retirement systems are referred to as **statewide retirement systems**:

Assessors

Clerks of court

District Attorneys

Firefighters

Municipal Employees

Municipal Police Employees

Parochial Employees

Registrar of Voter Employees

Sheriffs

Other public retirement systems in Louisiana provide retirement benefits to local government employees of a single local government, such as a specific parish or municipality.

Both statewide and local government retirement systems report to LLA as local auditees<sup>3</sup>. Their annual audit reports are available to the public through LLA's audit report library<sup>2</sup>. Statewide and local government retirement systems are not included in the state's ACFR.

State and statewide retirement systems are also required by the audit law<sup>4</sup> (Louisiana Revised Statute 24:514<sup>5</sup>) to provide annual actuarial valuations to LLA.

A series of standards promulgated by the Governmental Accounting Standards Board address reporting for public retirement systems, and the state and local government agencies whose employees participate in them. Many of the amounts included in public retirement systems' audit reports are actuarially derived, and the procedures necessary to determine these amounts are very complex.

The Louisiana Compliance Questionnaire<sup>6</sup> requires retirement systems to provide statements or representations to their auditor regarding their compliance with certain provisions laws and regulations. Auditors are required to test the system's compliance with these laws and regulations.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1010-louisiana-state-government-agencies>
2. <https://lla.la.gov/reports/audit-reports>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
5. <http://legis.la.gov/Legis/Law.aspx?d=84131>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>

*NB: This document is the current version as of 04-06-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

School Boards And Charter Schools ( 200-1130 )

Each of Louisiana’s 64 parishes has a parish-wide school district. In addition, there are five city school districts that are separate from the parish in which the municipality is located:

- City of Baker
- City of Bogalusa
- City of Central
- City of Monroe
- City of Zachary

Parish and city school districts (local school boards) are governed by elected boards. School districts are considered to be local auditees<sup>1</sup>, and provide annual financial reports to the Louisiana Legislative Auditor (LLA).

Charter schools are tuition-free schools that are operated by a nonprofit organization and authorized by either a local school board or the state Board of Elementary and Secondary Education (BESE). There are several types of charter schools, differentiated by the type of chartering organization and other factors. Charter schools are also considered to be local auditees, and provide an annual financial report to LLA.

The legal authority for local school boards and charter schools may be found in Title 17 of the Louisiana Revised Statutes. General supervision is provided by BESE and the Louisiana Department of Education (LDOE). Reporting guidelines for local school boards may be found in the **Louisiana Accounting and Uniform Governmental Handbook**.

Local school boards audit reports are prepared on the governmental model (see Reporting for Local Governments<sup>2</sup>). They receive a significant amount of their funding from federal and state sources, as well as from local taxes.

School board reports include school activity funds, which are funds collected and expended by booster clubs and other student organizations. LLA’s legal division has published a frequently-asked questions document<sup>3</sup> regarding school activity funds that is available on LLA’s website. School boards often engage a CPA firm to perform a separate audit or agreed-upon procedures engagement relative to school activity funds.

Many local school boards collect and distribute sales taxes on behalf of other local governments in their area. The collection and distribution of these taxes is reported in a custodial (fiduciary) fund in the local school board’s audit report (see Special Reporting – Agencies that Collect Taxes Other Than Ad Valorem Taxes<sup>4</sup>).

Charter schools are set up as nonprofits, and may report on the nonprofit model (see Reporting for Nonprofits<sup>5</sup>). Because charter schools have characteristics of a government agency, and receive a substantial amount of their funding from governmental sources, they may instead choose to report on the governmental model.

Local school boards are required to include in their audit report schedules of performance and statistical data. The CPA firm performing the school board’s audit also performs procedures to test the accuracy and completeness of these schedules, and reports the results of these tests in an agreed-upon procedures report that is included in the school board’s audit report. Charter schools that do not report their performance and statistical data with a local school board also provide these schedules and agreed-upon procedures report in their audit reports (See Special Reporting – School Board Performance Measures and Agreed-Upon Procedures Report<sup>6</sup>).

The Louisiana Compliance Questionnaire <sup>7</sup> requires local school boards to provide a statement or representation to their auditor that they have complied with LDOE requirements for the state’s minimum foundation program (MFP) and other provisions of law. The school board’s auditor is required to test the school board’s compliance with these laws.

Each charter school is also required to provide a statement or representation to their auditor on the school’s compliance with laws and regulations that are important for the charter school to follow; and the charter school’s auditor is required to test the school’s compliance with these provisions of these laws.

**QUESTIONS:**

- Q.** Are private and parochial schools that receive local or state assistance required to report to LLA?
- A.** Private and parochial schools are specifically exempted from reporting to LLA by Revised Statute (R.S.) 24:513 A. (1) (b) (iv)<sup>8</sup>, except for those private and parochial schools that receive funds under the Student Scholarship for Educational Excellence Program. Private and parochial schools that receive these funds are examined by a CPA firm or firms engaged by the LDOE, as provided by R.S. 17:4022<sup>9</sup>. LLA is authorized by R.S. 17:4022 (3)<sup>9</sup> to investigate any irregularities noted in the resulting reports.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1080-reporting-for-local-governments>
3. [https://app.lla.state.la.us/lla.nsf/D869CFF97E44A4F586257AC2004F7C6B/\\$FILE/School%20Activity%20Funds%20FAQ.pdf](https://app.lla.state.la.us/lla.nsf/D869CFF97E44A4F586257AC2004F7C6B/$FILE/School%20Activity%20Funds%20FAQ.pdf)
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1030-special-reporting-agencies-that-collect-taxes-other-than-ad-valorem-taxes>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1090-reporting-for-nonprofits>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1120-special-reporting-school-board-performance-measures-and-agreed-upon-procedures-report>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>
8. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
9. <http://www.legis.la.gov/Legis/Law.aspx?d=631057>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Sheriffs ( 200-1140 )

Each of Louisiana's 64 parishes has an elected sheriff. Sheriffs are considered to be local auditees<sup>1</sup>, and provide annual financial reports to the Louisiana Legislative Auditor.

The legal authority for the operations of a sheriff's office may be found in Article 5 Section 27 of the Louisiana Constitution of 1974, and Title 13 of the Louisiana Revised Statutes. Sheriffs are the chief law enforcement officer of the parish in which they serve; the ex-officio collector of ad valorem (property) taxes for the parish, and the chief executive officer of the related law enforcement district.

The parish sheriff collects ad valorem taxes on behalf of the taxing authorities in the parish, and remits the taxes to these authorities. The sheriff is authorized by law to collect a commission for the collection of ad valorem taxes. The collection and distribution of ad valorem taxes is reported in a custodial (fiduciary) fund in the sheriff's audit report, as required by generally accepted accounting principles<sup>2</sup>. There are also special reporting requirements in the state of Louisiana for those agencies that collect ad valorem taxes on behalf of other taxing bodies (see Special Reporting – Agencies that Collect Ad Valorem Taxes<sup>3</sup>). In addition, the sheriff also collects and remits fees and other monies on behalf of other local government agencies.

Law enforcement districts were created by Revised Statute (R.S.) 13:5901 as a mechanism for providing financing for each parish sheriff. A sheriff's bonded or other long-term debt is issued through the related law enforcement district. The activity of the law enforcement district is reported in the sheriff's audit report.

The sheriff operates the parish prison; and the cost of feeding and housing prisoners is borne by the parish governing authority. Parish governing authorities are also required by R.S. 33:4713 to provide suitable office space, furniture and equipment for the parish sheriff.

The Louisiana Compliance Questionnaire<sup>4</sup> requires sheriffs to provide a statement or representation to their auditor that they have complied with laws and regulations that are important for the sheriff to follow. The sheriff's auditor is required to test the sheriff's compliance with these laws and regulations.

R.S. 24:513 gives sheriffs the discretion of being audited by LLA or an approved CPA firm; however, sheriffs are generally audited by approved CPA firms.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1020-special-reporting-agencies-that-collect-ad-valorem-taxes>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Service Districts And Public Trusts ( 200-1150 )

Local governments are authorized by Article 6, Sections 15 through 19 of the Louisiana Constitution of 1974, and various Louisiana Revised Statutes, to create special service districts in order to provide public services for their residents. It is especially common for parish governing authorities to create special service districts to facilitate certain public services.

Services provided by these districts include but are not limited to airport, ambulance, drainage, economic development, emergency communications, fire protection, historic preservation, industrial development, land use, library, mosquito abatement, recreation, sewerage, tourism, utilities, and zoning.

Special service districts may also be created as joint ventures between two or more local governments. Depending upon the type of services provided by the special district, revenues may consist of user fees, ad valorem taxes, state revenue sharing funds, or state and federal grants.

The state of Louisiana and Louisiana local government agencies are authorized by Louisiana Revised Statutes 9:2341 – 2347 to create public trusts, such as mortgage authorities, to provide funding for public facilities and other public purposes through the issuance of bonds, notes, or other indebtedness. Public trusts are commonly used to provide funding for public housing projects and college and university dormitories. The revenue stream for the payment of debt incurred by a public trust includes interest earned on loans, interest earned on investments, and user fees or rents.

Special service districts and public trusts are subject to the oversight of the creating authority, and may be determined to be component units<sup>1</sup> of the creating authority.

Most special service districts and public trusts are considered to be local auditees<sup>2</sup>, and provide annual financial reports to the Louisiana Legislative Auditor.

The Louisiana Compliance Questionnaire<sup>3</sup> requires special service districts and public trusts to provide statements or representations to their auditor regarding their compliance with certain provisions laws and regulations. Auditors are required to test the district's/authority's compliance with these laws and regulations.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1150-component-units>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1140-louisiana-compliance-and-attestation-questionnaires>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Overview ( 300-1010 )

The audit law<sup>1</sup> (Louisiana Revised Statute (R.S.) 24:514<sup>2</sup>) requires that the annual financial reports of local auditees<sup>3</sup> be prepared in accordance with generally accepted accounting principles<sup>4</sup> or GAAP. Preparing financial statements in accordance with GAAP ensures consistency and comparability between the financial reports of like entities.

The laws of the state of Louisiana require certain information to be included in the annual financial reports of local auditees, over and above what is required by GAAP. This includes additional information regarding –

Collections of ad valorem, sales, and other taxes

College and university foundations and alumni associations

Bonds issued by certain entities (continuing disclosure requirements of the SEC and the State of Louisiana)

Housing Authorities

Collections of court costs, fines and fees

Juvenile justice districts

Payments made to the head of a local auditee

School boards and charter schools

Additional information is required by Louisiana Legislative Auditor's (LLA's) policies for local auditees that report fraud and misappropriations, deficits, and expense detail for charter schools. Any additional information that LLA requires in local auditee reports is in addition to, and does not supplant, GAAP.

LLA carefully considers the requirements of Louisiana law, as well as the needs of report users, before requiring any additional information be included in local auditees' reports that is over and above what is required by GAAP.

The Practice Aids section of the Louisiana Governmental Audit Guide includes a checklist<sup>5</sup> of special reporting requirements for local auditees in the state of Louisiana. Note that this checklist is intended to assist the user in determining whether an agency has complied with the reporting requirements specific to local auditees in the state of Louisiana. It is **not** a comprehensive list of the reporting requirements under generally accepted accounting principles.

### QUESTIONS:

**Q.** What authority allows LLA to require information in a report that is over and above what is required by GAAP or Louisiana law?

**A.** LLA has been given broad authority in the audit law<sup>1</sup> (R.S. 24:513<sup>6</sup>) to prescribe the terms and conditions of the engagements of local auditees; including the form and content of the reports that it receives. Approved CPA firms stand in the shoes of LLA when they perform the audit and other attest engagements of local auditees, and the reports that they submit to LLA must conform to LLA's requirements.

**Q.** What is LLA's process for implementing reporting requirements that are over and above GAAP?

**A.** LLA carefully considers the requirements of Louisiana law, as well as the needs of report users, before requiring that additional information be included in local auditees' reports that is over and above what is required by GAAP. Input is sought from interested parties, including the Society of CPAs of Louisiana, before a final decision is made regarding additional reporting requirements.

**Q.** How are approved CPA firms and local auditees notified of new reporting requirements that are mandated by state law or LLA?

**A.** CPAs are made aware of new state or LLA reporting requirements by the Audit Risk Alert<sup>7</sup>. Notification of new Audit Risk Alerts is sent by email to the contact persons in LLA's CPA database. Depending upon the nature of the new reporting requirement and its impact on local auditees, LLA will either notify local auditees directly of new requirements, or will ask the CPAs to discuss the matter with their local auditee clients. Past Audit Risk Alerts are archived in the Louisiana Governmental Audit Guide<sup>7</sup>.

**Q.** I am a CPA performing an audit of a local auditee. I received a request from LLA to revise a report to report an immaterial misappropriation. I don't agree that this information should be included in the report. May I appeal?

**A.** You may appeal; however, LLA makes the final decision regarding the information that is to be included in the reports of local auditees.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://legis.la.gov/Legis/Law.aspx?d=84131>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1370-checklist-for-local-auditee-reporting-requirements-in-the-state-of-louisiana>
6. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>

7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide>

*NB: This document is the current version as of 04-27-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Agencies That Collect Ad Valorem Taxes ( 300-1020 )

Ad valorem tax collectors collect, and remit or distribute, ad valorem (or property) taxes on behalf of the taxing authorities in the parish.

Sheriffs serve as the ad valorem tax collector in every parish in Louisiana but Orleans. The City of New Orleans serves as the ad valorem tax collector in Orleans Parish.

Louisiana Revised Statute (R.S.) 24:513 B. (1)<sup>1</sup>, enacted by Act 711 of the 2010 Legislative Session, was an amendment to the audit law<sup>2</sup> and pertains to the annual reporting requirement of sheriffs to the Legislative Auditor (LLA) regarding ad valorem taxes, and states, The accounts and records of each sheriff, in his function as ex officio tax collector, shall be audited in accordance with the provisions of this Section not less than once every year. Upon request, the tax collector shall provide the legislative auditor with a sworn statement of the amounts of cash on hand and taxes collected for the current year, with an itemized statement of all taxes assessed and uncollected. The statement shall include the reason for his failure to collect.

LLA has determined that for the purpose of complying with this provision of the law, the audit reports of sheriffs for fiscal years ending on or after June 30, 2011 shall include the following information:

The amount of cash on hand in the tax collector account at year end

The amount of taxes collected for the current year, by taxing authority

An itemized statement of all taxes assessed and uncollected, indicating the reason for the failure to collect these taxes, by taxing authority

A sworn statement, signed by the sheriff, attesting to the correctness of the information in the first three bullets

R.S. 24:513 B. (2)<sup>1</sup>, enacted by Act 711 of the 2010 Legislative Session, also amends the audit law, and requires similar information to be included in the audit reports of local auditees<sup>3</sup> (other than sheriffs) that collect and distribute ad valorem taxes on behalf of another taxing authority. Currently, these requirements only pertain to the City of New Orleans:

Any other local auditee or vendor that collects and distributes ad valorem taxes on behalf of a taxing authority shall have its tax collection and distribution fund audited annually and distribute a copy of the audit report to the legislative auditor and each taxing authority for which it collects taxes. The audit report shall include a sworn statement of the gross amount of taxes to be

collected, any deductions made from the tax rolls, the amount of taxes collected, and the taxes distributed to the taxing authorities. The statement shall detail any taxes on hand at the end of the reporting period, the amounts of such balance belonging to the taxing authorities, the amounts of collections related to current tax collections, the amounts relating to prior year taxes, the amounts of any interest and penalties collected and disbursed, the extent to which the prior year tax collections relate to collection and audit efforts, and the reason, if any, for failure to collect. The statement shall include other disclosures as may be determined necessary by the legislative auditor.

LLA has prepared an illustrative sworn statement or affidavit<sup>4</sup> that may be included in the audit report of a sheriff to comply with this provision of the law. The affidavits for sheriffs and the City may be included in a supplemental schedule in the audit report; the other required information is usually included in the notes to the audited financial statements.

**Links:**

1. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1250-sworn-statement-ad-valorem-taxes-sheriffs>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Agencies That Collect Taxes Other Than Ad Valorem Taxes ( 300-1030 )

While sheriffs serve as the ex-officio ad valorem or property tax collector<sup>1</sup> for most parishes, different types of local government agencies (such as school boards, municipalities, or dedicated sales tax collection agencies) act as the collector and distributor of sales and use taxes in the parish in which they are domiciled.

These sales and use tax collection agencies also collect hotel/motel, occupational, and other types of taxes, and remit them to the taxing authorities in the parish.

Louisiana Revised Statute 47:337.14.1<sup>2</sup>, which was enacted by Act 669 of the 2022 Regular Legislative Session, requires the LLA and the Louisiana Uniform Local Sales Tax Board to develop a uniform reporting schedule for audit reports for all entities that serve as the single sales and use tax collector for all taxing authorities within a parish that are compensated based on the cost of collection. The law states:

The schedule must include, at a minimum:

The amounts of all tax, interest, penalties, and fees collected during the preceding year on behalf of the all local taxing authorities by the collector.

The total amount retained by the collector.

The salary and benefits of all employees of the collector.

Total payments made to all parties with whom the collector contracts to assist with collection.

The amounts disbursed to each local taxing authority.

Notwithstanding any provision of law to the contrary, collectors shall commence to use the uniform reporting schedule developed by the Legislative Auditor by the end of Calendar Year 2023 for collectors operating on a calendar year schedule, or the end of Fiscal Year 2023-2024 for collectors operating on a fiscal year schedule.

The reporting schedules shall be submitted to the Legislative Auditor as part of the Legislative Auditor's annual audit of the collector.

The schedule can be found in the Practice Aids and Related Documents<sup>3</sup> section of the Louisiana Governmental Audit Guide. The schedule is required to be prepared on the **cash basis** of accounting and should include amounts for the collector's entire fiscal year.

#### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1020->

special-reporting-agencies-that-collect-ad-valorem-taxes

2. <https://legis.la.gov/Legis/Law.aspx?d=1297245>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1265-schedule-of-collections-distributions-and-costs-of-collection-is-required-in-audit-reports-of-single-sales-and-use-tax-collectors-beginning-with-fiscal-years-ending-on-or-after-decemb>

*NB: This document is the current version as of 04-21-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Charter Schools ( 300-1040 )

Charter schools<sup>1</sup> are tuition-free schools that are authorized by either a local school board or the state Board of Elementary and Secondary Education (BESE).

Charter schools differ from local school boards<sup>1</sup> in that local school boards are local government agencies, and charter schools are set up under nonprofit corporations. Another difference is that local school boards are managed locally, and the day-to-day operations of charter schools are often outsourced to management corporations.

The audit law<sup>2</sup> (Louisiana Revised Statute (R.S.) 24:514<sup>3</sup>) requires that the annual financial reports of local auditees<sup>4</sup> be prepared in accordance with generally accepted accounting principles<sup>5</sup> or GAAP. Preparing financial statements in accordance with GAAP ensures consistency and comparability between the financial reports of like entities.

Local school board audit reports are prepared on the governmental model (see Reporting for Local Governments<sup>6</sup>). Because charter schools are set up as nonprofits, they may report on the nonprofit model (see Reporting for Nonprofits<sup>7</sup>). However, because charter schools have characteristics of government agencies, and because they receive a substantial amount of their funding from governmental sources, the Louisiana Legislative Auditor (LLA) will accept a report of a charter school that is prepared on the governmental model.

Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14<sup>8</sup> enacted significant changes to the financial reporting model for nonprofits; including the requirement for all nonprofits to report their expenses by both natural and functional expense classifications.

Prior to the implementation of ASU No. 2016-14, only voluntary health and welfare organizations were required by GAAP to present the allocation of their expenses by natural classifications among the functions of the nonprofit. Now all nonprofits (including charter schools) are required to present this disaggregated expense information in their financial statements.

Examples of natural expense classifications include salaries and wages, employee benefits, professional services, supplies, interest expense, rent, utilities and depreciation. Examples of functional classifications include program services and supporting services. This information may

be presented on the face of the statement of activities; as a schedule in the notes to the financial statements; or in a separate financial statement.

ASU No. 2016-14 is effective for financial periods with fiscal years beginning after December 15, 2017; and for interim periods within fiscal years beginning after December 15, 2018. Charter schools that report on the nonprofit model should follow the guidance in ASU No. 2016-14 in preparing their financial statements.

Charter schools and their auditors should also be aware that charter schools are required to report certain performance measures in their audit report, if these performance measures are not reported with a local school board. See Special Reporting – School Board Performance Measures and Agreed-Upon Procedures Report.<sup>9</sup>

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1130-school-boards-and-charter-schools>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://legis.la.gov/Legis/Law.aspx?d=84131>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1080-reporting-for-local-governments>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1090-reporting-for-nonprofits>
8. [https://www.fasb.org/RedirectPage?path=http://www.fasb.org/Page/PageContent?pagelId=%2Fjsp%2FFASB%2FDocument\\_C%2FDocumentPage](https://www.fasb.org/RedirectPage?path=http://www.fasb.org/Page/PageContent?pagelId=%2Fjsp%2FFASB%2FDocument_C%2FDocumentPage)
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1120-special-reporting-school-board-performance-measures-and-agreed-upon-procedures-report>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – College And University Foundations | Alumni Associations| and Building Corporations ( 300-1050 )

The Louisiana Legislative Auditor's (LLA's) legal authority is found in Title 24 of the Louisiana Revised Statutes. LLA has broad authority to enforce the reporting requirement of those agencies named in the audit law<sup>1</sup> (Louisiana Revised Statute (R.S.) 24:513<sup>2</sup>), but has limited authority to enforce a reporting requirement to LLA that is found in the Louisiana Revised Statutes outside of R.S. 24:513.

R.S. 17:3390 D<sup>3</sup> addresses the reporting requirement of alumni associations, alumni foundations, and other private, nonprofit alumni organizations that raise private funds for the support of colleges and universities; and nonprofit corporations whose primary purpose is to finance the design, construction, renovation, or equipping of facilities to be leased to colleges and universities (building corporations). If these organizations receive more than \$75,000 in funds in a fiscal year, they are required to provide audited financial statements to LLA.

Alumni associations, alumni foundations, and other, nonprofit private alumni organizations that raise private funds for the support of colleges and universities, and that receive \$75,000 or less in funds in a fiscal year, are not required to have an audit, but shall provide the certification, sworn financial statements, and recitals required by R.S. 17:3390 D (3) (a) and (b)<sup>3</sup>. These reports are required to be submitted to LLA.

With regard to an audit received by LLA from any of these organizations that are under the management of the Board of Supervisors of Community and Technical Colleges, LLA may recommend to the Legislative Audit Advisory Council that an audit be conducted by LLA pursuant to and in the manner provided in R.S. 24:513<sup>2</sup>. Upon such recommendation, LAAC may direct that such an audit be conducted.

LLA sends email notifications to these agencies to remind them of their reporting requirement to LLA under R.S. 17:3390. There is no due date for these reports to be submitted to LLA; and LLA does not put these agencies on the noncompliance list if the reports are not submitted to LLA in a timely manner, or are not submitted at all.

### QUESTIONS:

**Q.** Does LLA approve the engagements between foundations, alumni associations, etc., and their auditors?

**A.** No. LLA has no authority to approve these engagements.

**Q.** If a foundation, alumni association, etc., is required to have an audit, does the audit need to be performed in accordance with generally accepted government auditing standards?

**A.** No. R.S. 17:3390<sup>3</sup> specifically states that these audits will be performed in accordance with generally accepted auditing standards<sup>4</sup>. LLA has no authority to require that these audits be performed under the additional requirements of *Government Auditing Standards*.

**Q.** Does LLA have an illustrative sworn financial statement for the use of those foundations, alumni associations, etc., that receive \$75,000 or less in funds?

**A.** No. LLA has no authority to prescribe the content of these documents.

**Q.** If a building corporation receives \$75,000 or less in funds, are they allowed to provide the sworn financial statements, or must they provide an audit?

**A.** Building corporations are not among the types of organizations that may provide for sworn financial statements under R.S. 17:3390.<sup>3</sup> They must provide audit reports, regardless of the amount of revenues received.

**Q.** Are the audit and other reports of foundations, alumni associations, etc., published as public documents by LLA?

**A.** Yes. These reports are issued by LLA and are accessible through the Audit Report Library<sup>5</sup> on the LLA website.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=80751>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
5. <https://lla.la.gov/reports/audit-reports>

*NB: This document is the current version as of 04-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Continuing Disclosure Requirements of the SEC and the State of Louisiana ( 300-1055 )

Act 463 of the 2014 Louisiana Legislative Session enacted Louisiana Revised Statute (R.S.) 39:1438<sup>1</sup>, requiring issuers of municipal securities to comply with the continuing disclosure rules of the Securities and Exchange Commission (SEC).

Municipal securities are defined as any securities issued by a public entity (the state of Louisiana, its agencies, departments, boards, commissions, parishes, municipalities, school boards, special districts, special authorities, and any other political subdivision or other entity created by the foregoing) that are subject to continuing disclosure under the SEC Rule.

The referenced SEC Rule is codified in the Code of Federal Regulation, 17 CFR 240.15c2-12<sup>2</sup> (commonly referred to as Rule 15c2-12), together with all corresponding rules, updates, notices, and interpretations of the SEC and the Municipal Securities Rulemaking Board (MSRB), as may be amended from time to time. For further information on SEC Rule 15c2-12 as amended, see the SEC's website<sup>3</sup>, or the continuing disclosure guidelines published on the MSRB website<sup>4</sup>.

The requirements of the SEC Rule generally apply to all publicly offered bond issues (i.e., those sold to the public via an underwriter using an official statement), but not to private placement bond issues (i.e., those sold in a private sale to one or a few investors, such as a bank).

Generally, the Rule exempts issuers who offer municipal securities with an aggregate principal amount of \$1,000,000 or less. See the Rule<sup>2</sup> for additional exemptions.

The continuing disclosure requirements apply to "obligated persons" as defined in the SEC Rule. An obligated person is generally an entity which is responsible for the repayment of the bonds or has pledged its own revenues or assets to the repayment of the bonds. The obligated person may or may not be the issuer of the bonds (e.g. a conduit issuer which issues bonds on behalf of another entity). Therefore, entities other than the bond issuer may be an obligated person subject to continuing disclosure requirements.

The MSRB's Electronic Municipal Market Access (EMMA) website<sup>5</sup> publicly displays continuing disclosures that are provided by municipal issuers, obligated persons, and other parties. A tutorial

video for using EMMA may be found at: <http://www.msrb.org/msrb1/Training-Tutorials.asp?section=1&video=0><sup>6</sup>.

The official statement for a bond issue usually includes an appendix (“Form of Continuing Disclosure Agreement”) which sets forth the specific continuing disclosure reporting obligations for the particular bond issue. The official statement for a bond issue may be obtained either through EMMA or the bond issue transcript on file with the public entity. An executed copy of the continuing disclosure agreement may also be found in the bond issue transcript.

R.S. 39:1438.C<sup>1</sup> requires that **public entities** continuously maintain:

- A list of all Louisiana municipal securities for which the public entity is the issuer or an obligated person;
- A copy of all continuing disclosure agreements to which the public entity is a party; and
- If pursuant to a continuing disclosure agreement to which the public entity is a part, the public entity is responsible for filing notices of changes in bond ratings and a list of current ratings for such securities, if any.

All records required by R.S. 39:1438.C<sup>1</sup> are subject to inspection by the public entity’s auditor, whether the Legislative Auditor or CPA.

R.S. 39:1438.D.<sup>1</sup> requires the public entity’s **auditor** to:

- Review the public entity’s compliance with the recordkeeping requirements of R.S. 39:1438.C<sup>1</sup>.
- Review a sample of the public entity’s filings on EMMA to determine if such filings are in compliance with the continuing disclosure agreements to which the public entity is a party.

**The Legislative Auditor would expect to see a compliance finding in the report of any local government or quasi-public organization (local auditee) found to be in noncompliance with R.S. 39:1438.C<sup>1</sup>.**

CPAs should be mindful that if a local auditee has bonded debt, the bond indenture may require the local auditee to provide for an annual audit, regardless of the amount of revenues the local auditee receives. For example, a local auditee that receives \$200,000 in revenues and other sources during its fiscal year is required by the audit law (R.S. 24:513<sup>7</sup>) to provide for a review/attestation report. However, if that local auditee has bonded debt, and the bond indenture requires the local auditee to provide for an annual audit, the local auditee must provide for an audit report to the

Legislative Auditor, not a review/attestation report. A CPA who is performing a compilation or review/attestation for a local auditee that has issued bonded debt should carefully review the bond indenture while engaging the local auditee, and engage for an audit if required.

The documents in the table below from the MSRB and the Government Finance Officer's Association (GFOA) may be reviewed for additional information.

The final document pertains to amendments to the Rule that were effective February 27, 2019. The amendments added two events for continuing disclosure agreements entered into on or after February 27, 2019, expanding the list from 14 to 16 events. The amendments also define the term "financial obligation."

MSRB Publication: SEC Rule 15c2-12: Continuing Disclosure<sup>8</sup>

GFOA Publication: Understanding Your Continuing Disclosure Responsibilities<sup>9</sup>

GFOA Publication: The New SEC Disclosure Rule 15c2-12: Questions and Answers<sup>10</sup>

MSRB Publication: 10 Things to Know: New SEC Rule 15c2-12 Requirements<sup>11</sup>

### Links:

1. <http://www.legis.la.gov/Legis/Law.aspx?d=919743>
2. <https://www.ecfr.gov/current/title-17/chapter-II/part-240/subject-group-ECFRc8401dcba174f73/section-240.15c2-12>
3. <https://www.sec.gov/>
4. <https://www.msrb.org/>
5. <https://emma.msrb.org/Search/Search.aspx>
6. <https://www.msrb.org/msrb1/Training-Tutorials.aspx>
7. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
8. <https://www.msrb.org/msrb1/pdfs/SECRule15c2-12.pdf>
9. <https://www.gfoa.org/materials/understanding-your-continuing-disclosure-responsibilities>
10. <https://lla.la.gov/go/AKNJFM>
11. <https://msrb.org/~media/Files/Resources/10-Things-to-Know-New-SEC-Rule-15c2-12.ashx>

*NB: This document is the current version as of 04-08-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Deficits ( 300-1060 )

The purpose and focus of a local government agency or quasi-public organization (local auditee<sup>1</sup>) is to take in enough revenue to fund its operations, and to maintain a modest reserve in case of emergencies. If a local auditee, particularly a local government, is able to consistently maintain a large unreserved equity balance in relation to its revenue, this may be an indication that the local auditee is charging too much for its services.

On the other hand, a local auditee that consistently reports a deficit in its equity accounts may have difficulty meeting its current obligations; including payroll and related taxes, or vendor accounts payable. It may borrow money from its restricted funds, board members or executive director to fund its operations. It may not be able to pay its bonded debt.

Significant deficits are one of the indicators that Louisiana Legislative Auditor (LLA) staff look for in their desk review of local auditee reports, to determine if a local auditee is experiencing financial hardship. LLA may take action regarding deficits, up to and including referral to the Fiscal Review Committee to determine if appointment of a fiscal administrator<sup>2</sup> is advisable.

LLA classifies a deficit as significant if it meets the following criteria:

For local governments – in the fund financial statements, are any governmental funds reporting an unassigned fund balance deficit that is greater than 5% of the revenue reported in the fund?

For local governments – are any proprietary funds reporting an unrestricted net position deficit that is greater than accumulated depreciation **plus** net pension liability **plus** 5% of the revenue reported in the fund?

For nonprofits – is the nonprofit reporting a deficit in net assets without donor restrictions that is greater than accumulated depreciation **plus** 5% of reported revenue?

LLA requires a local auditee that is reporting a significant deficit, as defined above, to include in their annual financial report an explanation of what is causing the deficit; and management's plan of corrective action to eliminate the deficit. This information is usually included in the notes to the financial statements. This information is over and above what is required by generally accepted accounting principles<sup>3</sup> or GAAP, but LLA believes that it is beneficial information for the users of local auditee reports.

### QUESTIONS:

**Q.** What authority allows LLA to require information in a report that is over and above what is required by GAAP or Louisiana law?

**A.** LLA has been given broad authority in the audit law<sup>4</sup> (Louisiana Revised Statutes 24:513<sup>5</sup>) to prescribe the terms and conditions of the engagements of local auditees; including the form and content of the reports that it receives. Because of the public interest in local auditees that report deficits, LLA has found it beneficial to the users of local auditee reports to include the cause of any reported significant deficit, and management's plan to eliminate it.

**Q.** If a local auditee is reporting a significant deficit, is the CPA required to report a going concern condition in the auditor's opinion?

**A.** A CPA is required by auditing standards (AU-C Section 570) to evaluate an entity's ability to continue as a going concern in every audit performed. Recurring losses from operations is named in AU-C Section 570 as an indicator, but not the sole indicator, that there is a substantial doubt about an entity's ability to continue as a going concern. A CPA should consider the existence of any deficits as an indicator of a going concern condition, in accordance with AU-C Section 570, but the existence of a significant deficit alone does not mean that the CPA is required to report a going concern condition in the auditor's opinion.

**Q.** Does a CPA need to include a finding in a report when a significant deficit exists?

**A.** No. Significant deficits are not good, but are not against the laws of the state of Louisiana.

**Q.** Does the existence of a significant deficit mean that a local government agency is noncompliant with the Local Government Budget Act?

**A.** A local government agency may not budget a deficit – meaning, they are not legally allowed to adopt a budget in which anticipated revenues plus available fund balance is less than anticipated expenditures. And, if a significant deficit exists in Year 1, the local government will need to adopt a budget in Year 2 that allows for the elimination of the deficit; through either an increase in revenues or a reduction in expenditures, or both.

However, the existence of an actual significant deficit does not necessarily mean that the local government adopted a budget that was not in compliance with the Local Government Budget Act<sup>6</sup>.

## **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1080-fiscal-administration-statutes>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>

5. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>

6. [https://app.la.state.la.us/lla/nsf/5F8831F042DF874186257AB8006E7A0B/\\$FILE/LGBA%20FAQ.pdf](https://app.la.state.la.us/lla/nsf/5F8831F042DF874186257AB8006E7A0B/$FILE/LGBA%20FAQ.pdf)

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – District Public Defenders ( 300-1070 )

District public defenders are a component of the district court system<sup>1</sup> in Louisiana. District public defenders are appointed by the Louisiana Public Defender Board, which was created to provide for the supervision, administration, and delivery of the statewide public defender system. The board serves as the administrator of the Louisiana Public Defender Fund, which supports the district public defender offices throughout the state.

Local governments that report to the Louisiana Legislative Auditor (LLA) are required by the audit law<sup>2</sup> (Louisiana Revised Statute (R.S.) 24:514<sup>3</sup>) to prepare their annual financial reports in accordance with generally accepted accounting principles <sup>4</sup>(GAAP). GAAP for district public defenders and other local government agencies is promulgated by the Governmental Accounting Standards Board (GASB).

While the use of GAAP for financial reporting ensures consistency and comparability among the reports of like government agencies, financial statements prepared in accordance with GAAP may not provide the types of information that is needed by all users of a report.

Act 307 of the 2007 Legislative Session amended R.S. 24:515.1<sup>5</sup> to require LLA to develop a uniform schedule, to be included in all district public defender reports, to provide a more comprehensive picture of the costs of operating the district public defender offices. This schedule is over and above what is required by GAAP.

This schedule<sup>6</sup> is required to be included in all district public defender reports, beginning with the 2007-2008 fiscal year. District public defenders who do not comply with this provision of the law are subject to civil penalties.

LLA uses the information in these schedules to prepare an annual report of district public defender revenues and expenditures for the Louisiana Legislature. This annual report is also required by R.S. 24:515.1<sup>5</sup>

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1050-district-courts-criminal-court-funds-district-attorneys-district-public-defenders-and-judicial->

expense-funds

2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://legis.la.gov/Legis/Law.aspx?d=84131>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
5. <http://legis.la.gov/Legis/Law.aspx?d=409917>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1270-district-public-defender-funds-required-reporting-format>

*NB: This document is the current version as of 04-08-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Fiscal Administration ( 300-1075 )

The fiscal administration statutes (Louisiana Revised Statute (R.S.) 39:1351-1357) were enacted in 1990 to allow state intervention if the financial stability of a political subdivision (for the purposes of this document, a local auditee<sup>1</sup>) is in jeopardy. If the Fiscal Review Committee (the Louisiana Legislative Auditor, State Treasurer, and Attorney General) determines unanimously that a local auditee is reasonably certain to not maintain financial stability, including but not limited to having insufficient revenue to pay expenditures, excluding civil judgments, or failing to make a debt service payment, the Attorney General shall file a motion in district court to appoint a fiscal administrator. Other criteria for the appointment of a fiscal administrator are the failure of a political subdivision to provide its audit or other report required by R.S. 24:513 to Louisiana Legislative Auditor (LLA) for three consecutive years; or the failure of a school board to resolve its status as financially at risk, as defined by the State Board of Elementary and Secondary Education.

For more information about fiscal administration, see Audit Guide Section 100-1080, Fiscal Administration Statutes<sup>2</sup>.

The duties of a fiscal administrator are outlined in R.S. 39:1352<sup>3</sup>; and include the authority to direct all fiscal operations of the local auditee and to take whatever action is deemed necessary to return the local auditee to financial stability, as defined in R.S. 39:1351<sup>4</sup>. The fiscal administrator has broad authority to direct all operations of the local auditee regarding budgets, debt, contracts, and personnel. The officers, officials and employees of the local auditee assist the fiscal administrator in an advisory capacity. If a conflict arises, the decision of the fiscal administrator prevails.

The fiscal administrator makes periodic reports to the court and the Fiscal Review Committee. One of these reports is a final report or three-year plan. The goal of this document is to enable the local auditee to establish and maintain financial stability once fiscal administration is terminated.

In order to monitor implementation of the final report/three-year plan for those local auditees whose fiscal administration has been terminated, LLA requires the CPA firm performing the local auditee's audit, review/attestation or compilation engagement to evaluate and report on the local auditee's progress with the final report/three-year plan as part of their engagement beginning in the year following termination of fiscal administration.

The CPA firm will be notified of the requirement by LLA staff after submitting the engagement agreement for approval. The final report/three-year plan will be provided to the CPA by LLA, along with the specific procedures to be performed.

The CPA firm will use an agreed-upon procedures engagement to evaluate and report on the local auditee's progress with implementation of the final report/three-year plan. The CPA may use the illustrative practice aids for the statewide agreed-upon procedures engagements (engagement agreement<sup>5</sup>, management representation letter<sup>6</sup>, and report<sup>7</sup>) found in the Practice Aids and Related Documents section of the *Louisiana Governmental Audit Guide* as the basis for the related documents for this engagement.

The CPA will submit the agreed-upon procedures report at the same time and in the same PDF file as the audit, review/attestation or compilation report. The reports will be issued by LLA as a single document and the report evaluating the local auditee's progress with implementation of the final report/three-year plan will be provided to the Fiscal Review Committee.

Any questions regarding the special reporting requirements for agencies for whom fiscal administration has been terminated should be directed to LLA staff<sup>8</sup>.

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1080-fiscal-administration-statutes>
3. <https://legis.la.gov/Legis/Law.aspx?d=95840>
4. <https://legis.la.gov/Legis/Law.aspx?d=95839>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1330-statewide-agreed-upon-procedures-example-engagement-agreement>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1360-statewide-agreed-upon-procedures-example-representation-letter>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1350-statewide-agreed-upon-procedures-example-agreed-upon-procedures-report>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-08-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Fraud And Misappropriations ( 300-1080 )

The Louisiana Legislative Auditor's (LLA's) mission statement includes a commitment to foster accountability and transparency in Louisiana government. LLA's primary vehicle to accomplish this objective for local auditees<sup>1</sup> is through receiving these agencies' annual financial reports.

There has traditionally been a wide disparity in the reporting of fraud and misappropriations in local auditees' reports. Local auditees do not want information about fraud and misappropriations to be made public, and may not be entirely forthcoming about these matters to the CPA performing the local auditee's audit or other attest engagement.

CPAs use professional judgment in writing findings reporting fraud and misappropriations. These findings sometimes do not include all of the elements of a finding required by the *Government Auditing Standards*. When one or more of these elements are missing, it is difficult for the user of the report to have a clear picture of what happened.

*Government Auditing Standards*<sup>2</sup> requires the auditor to report fraud that is material, either quantitatively or qualitatively, to the financial statements or other financial data significant to the audit objectives; in the *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*.

What about instances of fraud or misappropriations that are determined to be immaterial to the local auditee's financial statements, but are still of interest to the users of the report because of the public nature of the funds?

In order to make the reporting of fraud and misappropriations more uniform and transparent, and to provide more useful information for the users of local auditee reports, LLA requires certain information to be included in a local auditee report that includes any instances of fraud or misappropriations that are \$1,000 or greater. The information includes:

A general statement describing the fraud or misappropriation that occurred.

A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).

The amount of funds or approximate value of assets involved.

The department or office in which the fraud or misappropriation occurred.

The period of time over which the fraud or misappropriation occurred.

The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.

The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.

Is the person who committed or is believed to have committed the act of fraud still employed by the agency?

If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?

Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?

What is the status of the investigation at the date of the auditor's/accountant's report?

If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?

What is the status of any related adjudication at the date of the auditor's/accountant's report?

Has restitution been made or has an insurance claim been filed? Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523? (Applicable to local governments only)

Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?

If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.

Management's plan to ensure that the fraud or misappropriation does not occur in the future.

A fraud reporting template<sup>3</sup> with these eighteen elements in tabular format has been prepared by LLA. The tabular format may be used CPAs to report fraud and misappropriations, or the eighteen elements may be incorporated into the firm's standard style for reporting findings.

However the template is used, LLA expects to see each of the eighteen elements in the template addressed in every finding reporting fraud or misappropriations. If one of the eighteen finding elements is unknown or is not applicable to a particular finding, LLA still expects to see the element addressed in the finding, with the statement that the element is unknown or is not applicable to the specific finding.

## **QUESTIONS:**

**Q.** I am a CPA auditing a large local auditee. A theft of cash totaling \$1,200 occurred in the utility department. The \$1,200 is not material to anything that is reported in the local auditee's financial statements. Does the theft still need to be reported?

**A.** Yes; the amount of the theft is greater than the \$1,000 reporting threshold established by LLA. Although the amount of the theft may be immaterial to the local auditee's financial statements, if it is not reported, the local auditee may be tempted to handle the matter in an inappropriate way – e.g., not to press charges against or even terminate the person who stole the money. Reporting the information in the local auditee's audit report will ensure that this matter is handled appropriately and transparently by the local auditee.

**Q.** I am a CPA auditing a local auditee. There was a theft of cash by the clerk who collects fines. The theft was quickly identified by the local auditee, the person was terminated, and the matter was adjudicated in the courts. Does a theft that was appropriately handled by a local auditee still need to be reported in the local auditee's financial statements?

**A.** Yes. There are at least three very good reasons why this should be reported in the local auditee's audit report:

- The

audit law <sup>4</sup>(Louisiana Revised Statute (R.S.) 24:519<sup>5</sup>) requires LLA to forward any report containing illegality or fraud to the district attorney for further action. If the matter is not reported, LLA cannot refer it to the DA.

- No matter how careful a local auditee is, some people just steal things. Reporting a misappropriation that is appropriately handled is an indication to the public of the local auditee's good financial stewardship.

- If the name of the person is a matter of public record and reported in the audit report, it will be difficult for the person to obtain another job in which he or she has access to assets that are subject to fraud or misappropriation.

**Q.** Are findings in a management letter comment, or in a review/attestation or compilation report, required to include the eighteen elements in the template?

**A.** Yes.

**Q.** I am a CPA auditing a local auditee. A misappropriation occurred during the year. The matter is still being investigated. I know the name of the person they are investigating, but it is not a matter of public record. Should I report the name of the person who is under investigation?

**A.** LLA does not require that the name of a person who is the subject of an ongoing investigation be reported in a finding that reports fraud or misappropriation.

**Q.** I am auditing a large local auditee. An immaterial misappropriation occurred during the year. Because it is immaterial, I am planning to report it in the management letter. However, it may indicate a significant deficiency in internal controls. Should I move the finding to the 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?

**A.** This is always an option, and is up to the professional judgment of the CPA.

**Q.** I am a CPA performing an audit of a local auditee. I received a request from LLA to revise a report to report an immaterial misappropriation that occurred during the year. I do not feel government auditing standards require me to disclose the misappropriation in the report. Can the Legislative Auditor require that I report at a level that I feel is above the standards?

**A.** The Legislative Auditor is authorized by the audit law (R.S. 24:513 A. (6)<sup>6</sup>) to prescribe the terms and conditions of local auditee engagements that are performed by CPA firms. The CPA firm stands in the shoes of the Legislative Auditor when they perform the engagement. Therefore, the Legislative Auditor may, at his discretion, require that the CPA disclose information in his or her audit report that is over and beyond what is required by the applicable audit standards. If you have any questions as to whether a misappropriation is required to be disclosed, please contact LLA's Local Government Services Engagement Manager<sup>7</sup>.

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://www.gao.gov/assets/gao-18-568g.pdf>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1280-legislative-auditor-finding-template-for-reporting-fraud-and-misappropriations>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
5. <http://legis.la.gov/Legis/Law.aspx?d=84139>
6. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-08-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Special Reporting – Housing Authorities ( 300-1081 )

Local government agencies and quasi-public organizations (local auditees<sup>1</sup>) in Louisiana are required to provide an annual financial report to the Louisiana Legislative Auditor (LLA). The type of report is generally governed by the audit law<sup>2</sup> (Louisiana Revised Statutes (R.S.) 24:513<sup>3</sup> and 24:514<sup>4</sup>), and is based on the amount of revenues and other sources the local auditee receives:

Amount of revenues and other sources	Type of report provided
\$500,000 and over	Audit
\$200,000 - \$499,999	Review/attestation
\$75,001 - \$199,999	Compilation
\$75,000 and under	Sworn financial statements

See also What Kind of Report Does My Agency Need to Provide To the Legislative Auditor? <sup>5</sup>

There is, however, a separate and specific reporting requirement in R.S. 40:514<sup>6</sup> for local housing authorities:

**The financial statements contained in annual reports of local housing authorities with gross revenues of two hundred fifty thousand dollars or more shall be audited annually. Such financial statements of authorities with gross revenues of less than two hundred fifty thousand dollars shall be audited at least biennially.**

LLA has determined that it is in the best interest of the public to enforce the more stringent reporting requirement for housing authorities that is found in R.S. 40:514<sup>6</sup>:

Amount of revenues and other sources	Type of report provided
\$250,000 and over	Annual audit
Less than \$250,000	Biennial audit

Therefore –

Housing authorities that receive \$250,000 or more in revenues and other sources during a fiscal year must provide an annual audit to LLA.

Housing authorities that receive less than \$250,000 in revenues and other sources during a fiscal year must provide a biennial audit to LLA. A biennial audit is performed every other year and covers the prior two years of the housing authority's financial activity. In the year that is not audited, the housing authority must provide a report to LLA that is commensurate with R.S. 24:513<sup>73</sup> (see the first table above) – a review/attestation report, a compilation report, or sworn financial statements.

This reporting requirement for housing authorities is effective for fiscal years ending on or after June 30, 2017.

## **QUESTIONS:**

**Q.** I am the executive director of a housing authority that receives \$190,000 annually. Therefore, we must provide for a biennial audit every other year, and a compilation report in the year we are not audited. How will we know which years we will need to provide for an audit and which years we will need to provide for a compilation?

**A.** LLA will send you annual enforcement correspondence regarding the housing authority's reporting requirement for the specific year. You will need to read the correspondence and respond to it appropriately. See What Should I Do When My Agency Receives Correspondence From the Legislative Auditor<sup>8</sup>?

**Q.** What kind of report is a housing authority required to provide if its revenues exceed \$250,000 one year and are less than \$250,000 the next year?

**A.** Call LLA staff<sup>9</sup> for guidance.

**Q.** I am the executive director of a housing authority that must provide for a biennial audit every other year, and a review/attestation report in the year we are not audited. I would prefer that we provide for an audit every year. May we do this?

**A.** Yes, this is acceptable under the law. We recommend that you call LLA staff<sup>9</sup> so that we may update our records about the type of report your housing authority will provide.

**Q.** What authority allows LLA to require housing authorities to report in a manner that is over and above what is required by the audit law?

**A.** LLA has been given broad authority in the audit law<sup>2</sup> (R.S. 24:513 A. (6)<sup>3</sup>) to prescribe the terms and conditions of the engagements of local auditees; including the form and contents of the reports that it receives. LLA decided to enforce the more stringent reporting requirement for housing authorities found in R.S. 40:514<sup>6</sup> rather than the reporting requirement in the audit law because LLA determined that to do so was in the best interest of the public.

## **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020->

local-government-agencies-and-quasi-public-organizations-local-auditees

2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
4. <http://legis.la.gov/Legis/Law.aspx?d=84131>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1040-what-kind-of-report-does-my-agency-need-to-provide-to-the-legislative-auditor>
6. <http://www.legis.la.gov/Legis/Law.aspx?d=98577>
7. <https://lla.la.gov/go/AJYRAK>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1020-what-should-i-do-when-my-agency-receives-correspondence-from-the-legislative-auditor>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-08-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Special Reporting – Justices Of The Peace And Constables ( 300-1090 )

Justices of the peace and constables are elected officials. Justices of the peace preside over courts of limited jurisdiction, and receive oversight from the Louisiana Supreme Court. Constables are the marshals for the justice of the peace courts. Constables serve warrants and summons, collect garnishments, and process evictions and other matters pertaining to the court.

Justices of the peace and constables are considered to be local auditees<sup>1</sup> and provide annual financial reports to the Louisiana Legislative Auditor (LLA), but there is a special reporting provision for justices of the peace and constables in the audit law<sup>2</sup> (Louisiana Revised Statute 24:513 J. (1) (a) (ii) (c) (i) (cc)<sup>3</sup>).

Most local auditees follow this reporting schedule to LLA based on the amount of revenues and other sources they receive:

Amount of revenues and other sources received	Type of report provided	CPA or self –prepared
\$500,000 and over	Audit	Independent CPA
\$200,000 - \$499,999	Review/attestation	Independent CPA
\$75,001 - \$199,999	Compilation	CPA Self-prepared; local auditee
\$75,000 and under	Sworn financial statements	may instead choose to have CPA prepare report

The reporting requirement for justices of the peace and constables differs from the above schedule. Justices of the peace and constables that receive \$200,000 or less in revenues and other sources are required to provide sworn financial statements, which they may prepare themselves; to LLA. If they receive more than \$200,000 in revenues and other sources, they are required to hire a CPA firm on LLA’s approved list to provide for a compilation report.

Sworn financial statements are due to LLA ninety days after the judge’s or the constable’s fiscal year end; compilation reports are due six months after their fiscal year end.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Justice System Agencies - Court Costs, Fines and Fees ( 300-1095 )

The state and local government agencies that make up Louisiana's judicial system collect court costs, fines, and fees that are in turn either retained or disbursed to other agencies. These agencies report the collection, disbursement, and subsequent receipt of court costs in their annual financial reports that are submitted to the Louisiana Legislative Auditor.

State government agencies and local government agencies and quasi-public organizations (local auditees<sup>1</sup>) that report to the Louisiana Legislative Auditor are required by the audit law<sup>2</sup> (Louisiana Revised Statute (R.S.) 24:514<sup>3</sup>) to prepare their annual financial reports in accordance with generally accepted accounting principles<sup>4</sup> (GAAP). While the use of GAAP for financial reporting ensures consistency and comparability among the reports of like entities, financial statements prepared in accordance with GAAP may not provide the types of information that is needed by all users of a report.

Act 87 of the 2020 Regular Legislative Session enacted R.S. 24:515.2<sup>5</sup> to require the Louisiana Legislative Auditor (LLA) and the Louisiana Supreme Court (LSC) to develop a uniform reporting format for local and state entities that assess, collect, or receive revenue from pre- or post-adjudication costs, fines, and fees. The uniform reporting format must include, at a minimum, the amounts of all pre- and post-adjudication court costs, fines, and fees assessed or imposed; the amounts collected; the amounts outstanding; the amounts retained; the amounts disbursed; and the amounts received from disbursements.

To satisfy the requirements of Act 87, LLA and LSC developed reporting schedules that must be included in the audit, review/attestation and compilation reports of agencies that collect, disburse, and/or receive court costs, fines and fees, beginning with fiscal years ended on or after December 31, 2020. These schedules are over and above what is required by GAAP.

These Act 87 schedules, along with instructions, examples, and a frequently-asked questions document, may be found in the Practice Aids and Related Documents<sup>6</sup> section of the *Louisiana Governmental Audit Guide*:

The Collecting/Disbursing Entity Schedule, to be included in the annual financial reports of agencies (e.g., sheriffs, mayor's courts) that collect and/or disburse pre- or post-adjudication costs, fines, and fees to other Receiving Entities.

The Receiving Entity Schedule, to be included in the annual financial reports of agencies (e.g.,

parish governments, public defenders, Crime Stoppers organizations) that receive pre- or post-adjudication costs, fines, and fees from Collecting/Disbursing Entities.

The Act 87 schedules must be prepared on the cash basis, and included in the supplementary information within the agency's financial statements. If the schedules are included in an audit report with an unmodified opinion<sup>7</sup>, the CPA performing the audit engagement must include an in-relation-to opinion on the schedules. The CPA should consult the professional standards on the type of opinion that may be rendered on supplementary information when a modified opinion<sup>7</sup> is rendered on the financial statements as a whole.

When a CPA submits a local auditee's report that includes the Act 87 schedules to LLA through the Local Government Reporting System<sup>8</sup>, the CPA is also required to submit a separate copy of the Act 87 schedules only, in Excel format, through the Local Government Reporting System.

Justices of the peace and constables are not required to include the Act 87 schedules in their annual financial reports; nor are agencies that do not collect, disburse or receive court costs, fines or fees, and therefore have nothing to report.

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://legis.la.gov/Legis/Law.aspx?d=84131>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
5. <https://legis.la.gov/Legis/Law.aspx?d=1187511>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1380-justice-system-funding-reporting-schedules>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1160-types-of-auditors-opinions>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1230-submitting-a-report-to-the-legislative-auditor>

*NB: This document is the current version as of 04-08-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Juvenile Justice Districts ( 300-1100 )

Act 178 of the 2011 Legislative Session enacted Louisiana Revised Statute (R.S.) 15:1093.2<sup>1</sup>, 1093.3<sup>2</sup>, and 1093.4<sup>3</sup> relative to the reporting requirements of regional juvenile justice districts to the Louisiana Legislative Auditor (LLA). These statutes require regional juvenile justice district to provide sworn financial statements to LLA annually, within ninety days of the district's fiscal year end. This requirement is over and above the district's reporting requirement as a local auditee<sup>4</sup> under the audit law<sup>5</sup> (R.S. 24:513<sup>6</sup>).

The form of the financial statements is at the discretion of each regional juvenile justice district. The content of the sworn financial statements is prescribed in R.S. 15:1093.2<sup>1</sup>. LLA sends annual reminder emails to juvenile justice districts to remind them of this additional reporting requirement.

In addition, R.S. 15.1093.4<sup>3</sup> requires financial training for members of the governing boards of regional juvenile justice districts.

#### **Links:**

1. <http://www.legis.la.gov/Legis/Law.aspx?d=670597>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=762699>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=762700>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
6. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>

*NB: This document is the current version as of 04-13-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Special Reporting – Schedule Of Compensation | Benefits | And Other Payments to Agency Head or Chief Executive Officer ( 300-1110 )

The audit law<sup>1</sup> (Louisiana Revised Statute (R.S.) 24:513 A. (3)<sup>2</sup>) requires virtually every local auditee<sup>3</sup> report that is submitted to the Louisiana Legislative Auditor (LLA) to include a schedule of compensation, benefits, and other payments to the agency head, political subdivision head, or chief executive officer. This schedule is over and above what is required by generally accepted accounting principles<sup>4</sup> (GAAP).

The compensation, benefits, and other payments that are to be reported on the schedule include but are not limited to travel, housing, unvouchered expenses, per diem, registration fees, and reimbursements.

Nongovernmental or nonprofit entities that receive public funds may report on the schedule only those payments to the agency head that are derived from the public funds the nonprofit receives. Public funds are defined as Louisiana state and/or local governmental funds and/or federal funds passed through a Louisiana state or local government agency.

The schedule is to be included in the supplementary information within the local auditee's financial statements. If the supplemental schedule is included in an audit report with an unmodified opinion<sup>5</sup>, the CPA performing the audit engagement must include an in-relation-to opinion on the schedule. The CPA should consult the professional standards on the type of opinion that may be rendered on supplemental information when a modified opinion<sup>5</sup> is rendered on the financial statements as a whole.

LLA's legal staff has prepared a frequently asked questions document<sup>6</sup> on this subject that has an illustrative schedule that may be used for compliance with this provision of the law. The FAQ also addresses the following matters –

- Who needs to report their compensation on the schedule of compensation, benefits, and other payments to the agency head or chief executive officer
- What types of compensation, benefits, and other payments should be reported on the schedule
- Special rules for judges' compensation

QUESTIONS:

- Q.** Does the schedule of compensation, benefits, and other payments to the agency head or chief executive officer need to be included in all reports submitted to LLA, or just the audit reports?  
**A.** The schedule of compensation, benefits, and other payments to the agency head or chief executive officer must accompany virtually all reports submitted to LLA – audit, review/attestation, and compilation reports; and sworn financial statements.
- Q.** Does the schedule of compensation, benefits, and other payments to the agency head replace the schedule of board members' compensation required to be included in the annual financial reports of local government agencies by House Concurrent Resolution No. 54 of the 1979 Legislative Session?  
**A.** No. The schedule of board members' compensation should still be included in the annual financial reports of local government agencies.
- Q.** Should payments for salary and benefits made directly to an agency head by another entity, or to a third party (such as a retirement system) on behalf of the agency head from another entity, be included in the schedule of payments to the agency head?  
**A.** The heads of some local government agencies (e.g., sheriffs, district attorneys, clerks of court) receive part of their compensation from sources outside of their agencies. Payments may also be made on behalf of these agency heads to third parties, such as retirement systems. These payments must be reported on the schedule of compensation, benefits, and other payments to the agency head, even if these payments are not processed through their agency.

Local government agencies and their CPAs should be aware that Governmental Accounting Standards Board (GASB) Statement No. 24 requires local government agencies to recognize revenue and expenditures in their financial statements for on-behalf payments<sup>7</sup> made to the agency head for salary and fringe benefits; even if these payments are not processed through their agency and/or are paid directly to the agency head by another entity.

- Q.** Does the schedule of compensation need to include the name of the person whose compensation is being reported?  
**A.** Yes. LLA believes that the name of the person whose compensation is being reported is critical information that needs to be included on the schedule. The *FAQ on Supplemental Reporting under R.S. 24:513 (A) (3)*<sup>6</sup> includes an illustrative schedule on page 7 that may be used by an agency to report the compensation of the compensation, benefits, and other payments to the agency head or chief executive officer.
- Q.** My CPA firm audits a hospital that reports to LLA. The hospital has been reporting the CEO's compensation on the schedule of compensation, benefits, and other payments to the agency head or chief executive officer. However, my client told me they have seen other hospitals report the board chairperson's compensation on this schedule instead of the CEO's, and they want to do likewise in the hospital's next audit report. Can the hospital make this change without notifying LLA?

**A.** Generally, hospital service districts and not-for-profit hospitals that report to LLA are required to report the CEO's salary on the schedule of compensation, benefits, and other payments to the agency head or chief executive officer. However, each hospital has distinct operating characteristics and sources of funding that will determine whose compensation should be reported on this schedule.

For this reason, it is not appropriate for your client to conclude that it may report the board president's compensation on this schedule, based solely on the way another hospital is reporting.

If a hospital wants to change the position of the person whose compensation is currently being reported in its schedule of compensation, the hospital or their auditor should contact LLA's Director of Local Government Services<sup>8</sup> to discuss the matter PRIOR to submitting the hospital's report to LLA.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1160-types-of-auditors-opinions>
6. [https://app.lla.state.la.us/lla.nsf/01D6DEC5C22C713F86257E0300777C86/\\$FILE/Supplemental%20Reporting%20under%20R.S.%2024%C2%A7513\(A\)\(3\).pdf](https://app.lla.state.la.us/lla.nsf/01D6DEC5C22C713F86257E0300777C86/$FILE/Supplemental%20Reporting%20under%20R.S.%2024%C2%A7513(A)(3).pdf)
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1300-on-behalf-payments>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-08-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – School Board Performance Measures And Agreed-Upon Procedures Report ( 300-1120 )

The audit law <sup>1</sup>(Louisiana Revised Statute (R.S.) 24:514 I.<sup>2</sup>) requires that schedules of performance and statistical data accompany the annual financial statements of local public school boards<sup>3</sup>. This requirement also applies to charter schools<sup>3</sup> that do not report their performance and statistical data with the audit report of a local school board.

These schedules include such information as:

General fund instructional and support expenditures and certain local revenue sources

Class size characteristics

Education levels and experience of public school staff

Average salaries of public school staff

R.S. 24:514 I.<sup>2</sup> also requires that this data be the subject of assurances provided as a part of the financial statement audit. This assurance takes the form of an agreed-upon procedures report. The agreed-upon procedures engagement<sup>4</sup> is performed by the CPA firm that is also performing the school board's regular audit report.

The performance measures schedules and the agreed-upon procedures report are included in the audit report of every local school board, and every charter school that does not report its performance measures with a local school board.

Exceptions noted in any of the procedures performed are included in the agreed-upon procedures report, along with management's response and plan of corrective action.

Providing the tools to assist local school boards, charter schools and their auditors in fulfilling this provision of the law is a joint effort of the Louisiana Department of Education (LDOE) and the Louisiana Legislative Auditor (LLA). The information regarding these schedules that is available on the LLA website includes:

Current information from the LDOE about the most recent performance measures schedules, including where the information for the schedules may be obtained<sup>5</sup>

Illustrative performance measures schedules templates in Excel format, prepared by LLA<sup>6</sup>

Illustrative agreed-upon procedures report, prepared by LLA<sup>7</sup>

### QUESTIONS:

**Q.** Is the agreed-upon procedures engagement on school board performance measures approved separately from the school board or charter school audit?

**A.** No. When a CPA firm submits a school board or charter school audit engagement for approval, LLA assumes that the CPA firm that performs the audit will also perform the agreed-upon procedures engagement.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://legis.la.gov/Legis/Law.aspx?d=84131>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1130-school-boards-and-charter-schools>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1110-agreed-upon-procedures-and-examination-engagements>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1190-department-of-education-assurance-schedules-glossary-2020-and-2021>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1180-school-performance-measures-schedules-2020-and-2021>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1170-sample-attestation-report-on-applying-agreed-upon-procedures-school-board-charter-schools-performance-measures>

*NB: This document is the current version as of 10-03-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – State Central Committees and Parish Executive Committees ( 300-1125 )

Louisiana Revised Statute (R.S.) 18:441<sup>1</sup> establishes the criteria for recognition of a political party in the state of Louisiana. R.S. 18:442<sup>2</sup> provides that each recognized political party shall be controlled and directed by a central committee on the state level; and an executive committee on the parish level.

R.S 18:447<sup>3</sup> and 464<sup>4</sup> allow these state and parish committees to collect various sources of revenues (such as donations and qualifying fees) for their operations; and requires that the receipt and expenditure of these funds be reported annually to the Louisiana Legislative Auditor (LLA).

Pursuant to R.S. 18:464 (F)<sup>4</sup>, LLA has developed financial statement forms that the state and parish committees may use to report their financial activity to LLA. These financial statement forms are available on LLA's website<sup>5</sup>. Alternatively, any of the state or parish committees may provide audited financial statements to LLA if they choose.

#### **QUESTIONS:**

**Q.** When are parish executive committee and state central committee reports due to LLA?

**A.** Title 18 does not provide for a due date for these reports. LLA recommends that the reports be filed as soon as possible after the committees' fiscal year end.

**Q.** If a state central committee or a parish executive committee chooses to provide for an audit, does LLA require that the audit be performed by a CPA firm on LLA's approved list?

**A.** No.

**Q.** If a state central committee or a parish executive committee chooses to provide for an audit; does LLA approve the engagement between the committee and their auditor?

**A.** No.

**Q.** If a state central committee or a parish executive committee chooses to provide for an audit, does LLA require that the audit be performed in accordance with generally accepted government auditing standards?

**A.** No.

**Q.** Are the audit and other reports of state central committees and parish executive committees published as public documents by LLA?

**A.** Yes. These reports are issued by LLA and are accessible through the Audit Report Library<sup>6</sup> on the LLA website.

**Links:**

1. <http://www.legis.la.gov/Legis/Law.aspx?d=81575>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=81576>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=81584>
4. <http://www.legis.la.gov/Legis/Law.aspx?d=81595>
5. <https://lla.la.gov/resources/local-government-reporting/sworn-financial-statements>
6. <https://lla.la.gov/reports/audit-reports>

*NB: This document is the current version as of 04-27-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Statewide Agreed-Upon Procedures Engagements ( 300-1127 )

Local government agencies and quasi-public organizations (local auditees) that receive \$500,000 or more in revenues and other sources (local government agencies) or state and/or local assistance (quasi-public organizations) are required to provide an annual audit report to the Louisiana Legislative Auditor (LLA). For more information about the types of reports local auditees are required to provide to LLA, see [What Kind of Report Does My Agency Need To Provide To the Legislative Auditor?](#)<sup>1</sup>

Audits result in a report, and include a document that is prepared by the CPA and referred to as the auditor's opinion<sup>2</sup>, which states whether the auditor believes the financial statements are materially correct.

A clean or unmodified opinion does not mean that the auditor is certifying that the financial statements are free of errors, or that no fraud occurred. In order to give this type of assurance, the auditor would need to test every transaction that occurred during the year. This would be costly to the agency, and make it difficult to issue the audit in a time frame so that the information would be relevant to users of the report.

In order to balance efficiency with effectiveness, generally accepted auditing standards<sup>3</sup> allow CPAs to test a representative sample of transactions during an audit. The sample that is chosen is based on the CPA's judgment, and is normally based on factors such as the dollar amount of the transaction and the likelihood that the transaction may be misstated, whether due to error, or due to someone trying to cover up a fraud or misappropriation.

For instance, in an audit of a utility district that receives a lot of cash payments, the CPA may spend a large part of the time budget testing utility receipts. There are sound reasons for this methodology – utility receipts make up the majority of a utility district's revenue; cash is portable and easily convertible for the needs of a utility clerk or other employee who is not entitled to it; and, depending upon the controls the district has in place, it may be possible for an employee who takes cash utility receipts to conceal the theft through manipulation of the accounting records.

In order to adequately test utility receipts but still get the audit completed in a timely manner, the auditor of a utility district may decide to spend less time testing areas of a lower dollar amount or

that he or she perceives to be less prone to risk of misstatement due to error or fraud. For example, the auditor may decide that travel expenses are not a significant area of risk, due to the relatively low dollar amount of the account balance and the controls the executive director says have been put in place. Consequently, travel expenses are not audited in the same manner as utility receipts are – maybe for years.

Then one year, the auditor notices that the travel expense account balance is unusually large. Upon further investigation, the auditor discovers that the district's director is charging off his personal travel expenses through the district's travel account. It has been going on for years, but because the amount of the account balance has always been low compared to the rest of the expense account balances, it was never detected. But this year, because the director got greedy or careless, the matter came to the attention of the auditor.

As unbelievable as it may seem to non-CPAs, the audits in which the director's actions were not detected may have been adequately performed in accordance with generally accepted auditing standards – but that is little comfort to taxpayers who all too often see persons using public funds for private purposes.

LLA regularly receives complaints about what is called the expectation gap - the difference in what people think a CPA tests during an audit and what a CPA actually tests. In order to address these concerns, LLA considered other types of engagements in which the CPA could be required to take a more careful look at areas that might not end up in the representative sample tested in an audit engagement, and that may have caught, for example, what the hypothetical director of the utility district was doing.

One of these types of engagements is an agreed-upon procedures engagement. In an agreed-upon procedures engagement, the CPA performs procedures that are determined or agreed upon before the engagement begins. This type of engagement is not an audit, but can be structured to examine accounts that may not get much scrutiny during a normal audit.

LLA has promulgated an agreed-upon procedures engagement that must be performed for almost every local auditee that is required by R.S. 24:513<sup>4</sup> to provide for annual audited financial statements, beginning with fiscal years ending on or after June 30, 2017. The current agreed-upon procedures engagement addresses these 14 areas:

Written Policies and Procedures

Board or Finance Committee

Bank Reconciliations

Collections

Non-Payroll Disbursements

Credit, Debit, Fuel, and/or Purchase Cards

Travel and Travel-Related Expense Reimbursements

Contracts

Payroll and Personnel

Ethics

Debt Service

Fraud Notice

Information Technology (IT) Disaster Recovery/Business Continuity

Prevention of Sexual Harassment

The CPA will perform the agreed-upon procedures engagement in conjunction with their audit engagement, and will issue a report with any exceptions noted. The report will be issued with the local auditee's audit report.

Beginning with reports submitted on or after March 1, 2023, auditors will report whether any exceptions were found for each of the agreed-upon procedures performed, except the IT Disaster Recovery/Business Continuity procedure, by responding "Yes", "No", or "N/A" (Not Applicable). This information will be reported in the Local Government Reporting System<sup>5</sup> (CPA portal) under the Submit Questions section.

The list of agreed-upon procedures<sup>6</sup> to be performed, a sample engagement agreement<sup>7</sup>, a sample representation letter<sup>8</sup>, an example AUP report<sup>9</sup>, and answers to frequently asked questions<sup>6</sup> may be found on LLA's website.

## QUESTIONS:

**Q.** Many of the areas the agreed-upon procedures cover – such as bank reconciliations and payroll and personnel – look like areas that the CPA should be testing during their audit. Wouldn't that be duplication of effort?

**A.** The agreed-upon procedures represent the *minimum* work LLA requires a CPA to perform for a local auditee that is required to provide an audit report to LLA. Some of these areas – such as bank reconciliations and payroll – would be tested during most agencies' audits. But there will be some local auditees whose operations do not require them to maintain a significant cash account; and there will be some local auditees who don't have many employees, and whose payroll expense is are small in comparison to their other expenses. These less material account balances may not be tested during these agencies' audits. But since they are where problems have traditionally been found, LLA is requiring CPAs to test these areas through the agreed-upon procedures engagement

during every audit.

**Q.** Are nonprofits that report to LLA required to have the agreed-upon procedures performed?

**A.** Yes, if the nonprofit is required by R.S. 24:513<sup>4</sup> to provide an annual audit report to LLA.

**Q.** My agency is required by R.S. 24:513 to provide an annual compilation report to LLA. However, we voluntarily provide an audit. Are we required to have the agreed-upon procedures engagement performed?

**A.** No. The agreed-upon procedures are not required of those local auditees that are not required to provide an audit report to LLA by R.S. 24:513.

**Q.** What gives LLA the authority to require local auditees to provide for the agreed-upon procedures engagement in addition to their statutorily required audit?

**A.** R.S. 24:513 A. (6)<sup>4</sup> gives LLA authority to prescribe the terms and conditions of engagements of local auditees.

**Q.** Aren't the statewide agreed-upon procedures engagements going to be expensive for local auditees?

**A.** There will be a cost to local auditees, but LLA believes that the resulting improvement in local auditee operations, and enhanced transparency and accountability to the public, will exceed the cost of the engagements.

**Q.** In performing Procedure 6, Credit Debit, Fuel and/or Purchase Cards, the only exception found from the 50 transactions I observed was that one itemized receipt did not include written documentation of the business/public purpose. Do I have to answer "Yes" to the entire procedure, even though no exceptions were found in 49 of the 50 transactions?

**A.** Yes, because at least one exception was noted while performing the entire procedure.

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide?section=for-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1150-auditors-opinions-and-accountants-reports>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
4. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
5. <https://www.lla.la.gov/resources/local-government-reporting/local-government-reporting-system>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1320-statewide-agreed-upon-procedures-and-faqs>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1330-statewide-agreed-upon-procedures-example-engagement-agreement>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1360-statewide-agreed-upon-procedures-example-representation-letter>

9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1350-statewide-agreed-upon-procedures-example-agreed-upon-procedures-report>

*NB: This document is the current version as of 02-13-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Special Reporting – Volunteer Fire Departments ( 300-1130 )

Volunteer fire departments either provide fire protection for a parish or a district, or assist a fire protection district in providing fire protection for a parish or a district.

The principal difference between volunteer fire departments and fire protection districts is the manner in which they are established:

Volunteer fire departments are nonprofit agencies

Fire protection districts are special service districts<sup>1</sup> established by a local government, such as a parish governing authority<sup>2</sup>

Fire protection districts are considered to be local government agencies; volunteer fire departments are not. However, most volunteer fire departments receive some type of state and/or local government assistance, including monies from the Two Percent Fire Insurance Fund. Receipt of any state and/or local assistance will trigger a reporting requirement for a volunteer fire department to the Louisiana Legislative Auditor (LLA) as a local auditee<sup>3</sup>.

Volunteer fire departments are nonprofit organizations and often have fundraisers and other nonpublic sources of revenue to fund their operations. A volunteer fire department, like other nonprofit organizations, is not required by the audit law<sup>4</sup> to report its private donations to LLA, unless the volunteer fire department commingles its donations with its state and local assistance (Louisiana Revised Statute 24:513 J. (1) (d)<sup>5</sup>). Public and private funds may be deposited into the same bank account and not considered to be commingled, so long as the volunteer fire department maintains a separate accounting for its public and private funds in its books and records.

However, a volunteer fire department cannot convert state and local assistance into private funds by depositing the public funds into the bank account in which it maintains its private donations. The volunteer fire department must follow all applicable laws for the ultimate expenditure of the public funds they receive, no matter how those funds are physically maintained.

#### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1150-special-service-districts-and-public-trusts>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1100-parish-governing-authorities>

3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
5. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### CPA Firm Approval ( 400-1010 )

The majority of audit, review/attestation and compilation engagements of local government and quasi-public organizations in Louisiana (local auditees<sup>1</sup>) are performed by CPA firms that have been approved by the Louisiana Legislative Auditor (LLA).

In order to ensure the quality of these engagements, and the credentials of the CPA firms performing them, LLA requires CPA firms to provide certain information prior to initial approval of the firm.

All requests to approve a new CPA firm are sent to LLA's Engagement Manager<sup>2</sup>. The following information must be provided to the Engagement Manager to approve a new CPA firm:

- A written confirmation that the firm understands that engagements of local auditees are to be performed in accordance with all applicable standards and the provisions of the *Louisiana Governmental Audit Guide*.
- A written confirmation that the firm has reviewed the independence standards of *Government Auditing Standards* and the *Louisiana Governmental Audit Guide*<sup>3</sup>, and understands that they will not be able to supply prohibited nonaudit services to a local auditee client, nor be politically involved with the management of a local auditee client.
- A copy of the firm's most recent peer review<sup>4</sup> report, to include any letter of comments, findings for further consideration, or other deficiencies issued in conjunction with the peer review, and the acceptance letter from the peer review administering entity.
- The scheduled date of the firm's next peer review.
- If the firm has not received its first peer review, a copy of the letter from the firm's peer review administering entity (state board of accountancy program or the AIPCA), confirming that the firm is enrolled in its peer review program; and the scheduled date of the firm's first peer review.
- A written confirmation that the firm is either (1) a firm that is domiciled or has a principal place of business in the state of Louisiana that is in compliance with Louisiana CPA licensing and firm permit requirements; or (2) a firm that is not domiciled and does not have a principal place of business in the state of Louisiana that meets the provisions of the Louisiana Accountancy Act for non-resident firms providing attestation services to Louisiana-based clients. For further information regarding these requirements, please contact the State Board of Certified Public Accountants of Louisiana.
- A written confirmation that during the last ten years, the firm and/or its personnel have not been

the subject of a disciplinary action by any state board of accountancy or other regulatory body (including but not limited to federal and state grantor agencies) due to noncompliance with the rules and regulations of the regulatory body. If the firm and/or its personnel have been the subject of such a disciplinary action, it must provide a copy of the notification letter it received from the regulatory body that describes the matter of noncompliance and any disciplinary actions taken against the firm or its personnel by the regulatory body; and a statement describing how the firm has or is addressing and rectifying the matter of noncompliance, if applicable.

- A listing of all professional staff, identifying for each:

Whether the individual is a licensed certified public accountant.

Whether the individual is a member of the AICPA.

Whether the individual is a member of the LPCA

- The name(s) of the individual(s) who will act as lead auditor(s) on audits for which LLA has oversight, and the following information for each person named:

The individual's name and contact information.

The CPE programs completed during the current year and for the last two preceding calendar years, identifying the associated CPE hours.

- If members of the firm have not completed any CPE programs directly related to the government environment and/or government auditing in the last two years, LLA requires that members of the firm who will be working on governmental engagements to complete at least 24 hours of such CPE by the date the reports for its approved engagements are due. The firm is required to identify, for each affected individual, the government related CPE programs scheduled to be completed; and to identify the programs by name, scheduled date, and related number of CPE hours.

- If the CPA firm wishes to perform compilation engagements only, they are asked to advise LLA when requesting approval for the firm. CPA firms performing compilation engagements are required to obtain the continuing professional education sufficient to perform compilation engagements in a competent manner in accordance with all applicable standards.

- A listing of the professional services provided by the firm. and a statement as to whether the firm specializes in a particular service

- Whether the firm is local, regional, or national

- A listing of all engagements that the firm has performed under *Government Auditing Standards* <sup>5</sup>in the preceding two years, to include the following information:

The agency's name and address.

The agency's primary contact name and telephone number.

The period covered by the engagement.

- The CPA is asked to indicate whether their firm is interested in performing audit,

review/attestation, and compilation engagements of Louisiana state government agencies and, if so, to provide the firm's tax identification number.

- The CPA is asked to indicate whether the firm is owned and operated by a minority.
- The CPA is asked for the firm's physical and mailing address, telephone and fax numbers.
- The CPA is asked if they would like for firm's name, location, telephone number, and fax number to appear on the approved list on LLA's website.

The CPA firm is notified by letter if their firm is approved, not approved, or conditionally approved pending receipt of (for example) the firm's first peer review, evidence that CPE has been obtained, etc. Any conditions or restrictions upon the firm's practice are included in the approval letter. An approved CPA firm also receives information by email from LLA regarding contact ID numbers that they will need to submit engagements and reports.

For questions about CPA firm approval, please contact LLA's Engagement Manager<sup>2</sup>.

## **QUESTIONS:**

**Q.** I have recently set up a new CPA firm and I have not yet had a peer review. Will LLA approve my firm?

**A.** If a newly established CPA firm has not had its first peer review, the CPA firm will be asked to provide confirmation that it is enrolled in the peer review program of their state (in Louisiana, the LCPA) or the AICPA. It will also be required to provide LLA with a copy of its first peer review upon completion.

**Q.** My CPA firm is not located in the state of Louisiana. Is there anything special I need to do for LLA to approve my firm?

**A.** LLA will consider approval of CPA firms that are not domiciled in the state of Louisiana upon receipt of the above information. Although LLA approves CPA firms to perform governmental engagements in the state of Louisiana, questions about general licensing and other requirements for an out-of-state firm to be able to perform audits and other attest engagements in the state of Louisiana should be directed to the State Board of CPAs of Louisiana.

**Q.** I would like to perform audit and other attest engagements for LLA. My firm's latest peer review received a grade of fail. Will LLA approve my firm?

**A.** Generally speaking, LLA does not approve a new CPA firm whose most recent peer review received a failed grade. The CPA firm is encouraged to apply to LLA for approval if the firm's next peer review receives a grade of pass.

**Q.** My firm has been approved by LLA. How long will it take for my firm's name to appear on the approved list on LLA's website?

**A.** Generally speaking, a CPA firm's name appears on the approved list on LLA's website the day

after the firm is approved and entered into LLA's database. If it does not, please contact LLA's Engagement Manager<sup>2</sup>.

**Q.** My firm has been approved by LLA. Will LLA assist me in getting audit engagements with local auditees?

**A.** No. It is the CPA firm's responsibility to solicit audit engagements with local auditees.

**Q.** How would a firm find out about the state engagements that are available?

**A.** Information regarding current solicitations for proposal for state engagements and information on how to respond to these solicitations are available on LLA's website.

**Q.** A local auditee that is statutorily required to submit sworn financial statements to LLA has approached my CPA firm about performing an audit. Must my firm be approved by LLA to perform the engagement?

**A.** LLA will accept an audit, review, or compilation report from a CPA firm that is not on LLA's approved list for local auditees that are required to submit sworn financial statements. These reports must be submitted to [ereports@lla.la.gov](mailto:ereports@lla.la.gov)

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/about-the-audit-guide>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1020-peer-reviews>
5. <https://www.gao.gov/assets/gao-18-568g.pdf>
6. <mailto:ereports@lla.la.gov>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Peer Reviews ( 400-1020 )

A peer review is a periodic external review of a certified public accounting (CPA) firm's quality control system. A peer review is an "audit of the auditors."

A CPA firm that performs attest engagements in Louisiana is required by both the American Institute of Certified Public Accountants and the State Board of Certified Public Accountants of Louisiana to undergo a peer review every three years. In addition, the Government Accountability Office imposes the same three-year peer review requirement on CPA firms that perform audit, review, or other attest engagements under generally accepted government auditing standards<sup>1</sup>.

The American Institute of Certified Public Accountants (AICPA) oversees peer review programs throughout the United States. Individual CPA firms may enroll in the AICPA's peer review program, or in the peer review program of the state in which their firm is domiciled. The peer review program in Louisiana is administered by the Society of Louisiana Certified Public Accountants (LCPA).

The Louisiana Legislative Auditor (LLA) requires each CPA firm to provide a copy of its most recent peer review when the firm is approved. If the firm has not undergone its first peer review, LLA requires the CPA firm to provide documentation that it has enrolled in either the AICPA's peer review program or the peer review program of the state in which the firm is domiciled.

LLA also requires each CPA firm on its approved list to provide LLA with a copy of its most recent peer review on an ongoing basis. LLA sends an email notification to each CPA firm close to the date of its peer review as a reminder that the peer review must be submitted to LLA after it is completed and accepted by the firm's peer review administering entity. Peer reviews are uploaded<sup>2</sup> by the CPA to the LLA website. After review and processing, LLA posts the CPA firm's peer review to its website<sup>3</sup>.

#### ***Timeliness of peer reviews***

The AICPA's *Standards for Performing and Reporting on Peer Reviews (Clarified) (PRC)*<sup>4</sup> establishes the due dates of peer reviews nationwide:

Peer reviews are to be submitted to the firm's peer review administering entity no more than 42 months after the firm's previous peer review year end (in most cases, six months after the firm's

current peer review year end)

Acceptance of the peer review by the peer review administering entity should ordinarily occur within 120 days of the receipt of the peer review report

There are two important deadlines for CPA firms to observe for submitting their peer reviews to LLA, based on the AICPA's due dates:

Each firm is required to provide LLA with confirmation of receipt of the firm's peer review by the firm's peer review administering entity no later than the six months after its peer review year end  
Each firm is required to provide a copy of the completed peer review and acceptance letter from the firm's peer review administering entity to LLA no later than ten months after its peer review year end

LLA considers a firm to be delinquent in its peer review requirement on these dates:

Six months after the firm's peer review year end, if LLA has not received the firm's peer review **OR** notification from the appropriate peer review administering entity that it has received the firm's peer review **OR** notification from the appropriate peer review administering entity that the due date of the firm's peer review has been extended (see **Extensions for Peer Reviews** below).

Ten months after the firm's peer review year end, if LLA has not received the firm's peer review and acceptance letter.

Firms whose peer reviews are delinquent are expected to fully disclose the reason(s) for the delay to LLA. LLA may independently corroborate the information with the firm's peer review administering entity (see **Peer Review Authorization Form** below).

LLA will require the CPA firm to provide documentation from the State Board of Certified Public Accountants of Louisiana that a provisional firm permit has been issued allowing the firm to perform attest work while their peer review is delayed; or that the delay in the peer review will not affect their current firm permit. See **Extensions for Peer Reviews**.

LLA may impose restrictions or additional requirements upon a CPA firm whose peer review is delinquent. The types of restrictions and requirements imposed are at LLA's discretion, and are based on the reason(s) that the peer review is late.

If LLA determines that the reason for the late peer review is not under the firm's control or does not pertain to the quality of the firm's work (e.g., the firm was randomly chosen for enhanced oversight by its peer review administering entity), LLA may determine that it is not necessary to impose

further restrictions or requirements upon the firm.

If LLA determines that the reason for late peer review is under the control of the CPA firm or pertains to the quality of the CPA firm's work, LLA may ask the firm to provide pre-issuance reviews on, at a minimum, four audit engagements. The engagements will be chosen by LLA; and LLA will notify the CPA firm which engagements will be required to have pre-issuance reviews. The number of engagements subject to pre-issuance reviews may be increased at the discretion of LLA. If the firm performs no audit engagements, a minimum of four of the firm's review/attestation or compilation engagements (to be chosen by LLA) will receive pre-issuance reviews.

LLA reserves its authority to impose other conditions and restrictions upon a firm with a delinquent peer review, such as declining to approve its new engagements, cancellation of its approved engagements, rejection of its reports, and removal from LLA's list of approved CPAs.

LLA will notify the CPA firm by letter of any restrictions or additional requirements placed upon the firm due to the delinquent or delayed peer review; and will continue to monitor the firm until its peer review is submitted.

**Extensions for Peer Reviews:** Extensions for peer reviews for CPA firms enrolled in the AICPA's Peer Review Program administered by the LCPA are approved by the State Board of Certified Public Accountants of Louisiana (State Board). CPA firms must possess a firm permit issued by the State Board to perform attest work in Louisiana. The State Board cancels a firm's firm permit when it learns that the firm does not have a current peer review. The firm may ask the State Board to issue a provisional firm permit, after providing documentation that the peer review is in progress. A provisional firm permit is usually for ninety days, and may extend the due date of a peer review to the firm's peer review administering entity (if it is the LCPA), or allow the firm to perform attest work if acceptance of their peer review is delayed.

CPA firms that are enrolled in the AICPA's Peer Review Program administered by another approved administering entity must obtain an extension from the State Board and must also contact their peer review administering entity for information on how to obtain an extension on its peer review. They must also contact the State Board to determine how the delayed peer review will affect their ability to perform attest work in Louisiana, and provide this information to LLA.

**Peer Review Authorization Form:** The AICPA's *Standards for Performing and Reporting On Peer Reviews (Clarified) (PRC)*<sup>4</sup>, Section 300.A15 limits the type of information that may be shared

regarding an in-process peer review by the peer review administering entity with a third party (including LLA) to the following:

The firm's name and address

Whether the firm is enrolled in the program

The date of acceptance and period covered by the firm's most recently accepted peer review

The most recent date that the firm's enrollment in the program has been dropped or terminated, if applicable

PRC 300.A18 allows the peer review administering entity to share certain other objective information with a third party with the authorization of the firm. LLA requires each approved CPA firm to provide LLA with an authorization form<sup>5</sup> that allows LLA to obtain this information (that is named in the form) directly from the firm's peer review administering entity.

### ***Failed Peer Reviews***

Peer reviews may receive one of three grades: pass, pass with deficiencies, or fail. The majority of firms on LLA's approved list receive a grade of pass on their peer reviews. LLA requires certain remedial actions of those firms whose peer reviews receive a grade of fail.

A CPA firm that receives a peer review with a grade of fail will be sent a letter notifying them that they will be subject to the following:

For each of their approved engagements, and before approval of any new engagements, the CPA firm will provide LLA with documentation, signed by the local auditee, that the firm has notified the local auditee of the firm's failed peer review and its implications; and that the local auditee will not be charged for any work performed on the engagement if the firm is unable to complete it because of the failed peer review or related monitoring actions

The CPA firm will provide for pre-issuance reviews on, at a minimum, four audit engagements. The engagements will be chosen by LLA; and LLA will notify the CPA firm which engagements will receive pre-issuance reviews. The number of engagements subject to pre-issuance reviews may be modified at the discretion of LLA. If the firm performs no audit engagements, a minimum of four of the firm's review/attestation and/or compilation engagements (to be chosen by LLA) will receive pre-issuance reviews.

The CPA firm is required to sign the last page of the letter and return it to LLA, indicating the firm's agreement with the conditions in the letter; and acknowledging that they are aware that the firm's peer review will be posted on the LLA website.

Continuation of these requirements for firms with failed peer reviews –

After the required pre-issuance reviews have been submitted to and have been evaluated by LLA staff, LLA will determine whether the pre-issuance review requirement should continue. LLA may perform a quality control review (QCR) of the CPA firm's work to assist in making the determination. LLA will advise the CPA firm by letter as to LLA's decision regarding releasing the firm from the pre-issuance review requirement.

The firm will continue to provide confirmation to LLA that they have notified each of their local auditee clients of the failed peer review, and the implication on the engagement, before approval of any engagement, until it receives a peer review with a grade of pass.

## **QUESTIONS:**

**Q.** I received an email from the LCPA confirming receipt of my firm's peer review. If I forward the email to LLA, will that be sufficient documentation that the peer review has been received by my peer review administering entity?

**A.** Yes.

**Q.** I would like for my firm's name to be included on LLA's approved list of CPA firms, but I don't currently perform any engagements that would require my firm to have a peer review. Can my firm stay on the LLA approved list without a current peer review?

**A.** No. LLA does not allow any firm to remain on the approved list if they do not have a current peer review; or if they have not received their first peer review and are not enrolled in their state or AICPA peer review program.

**Q.** What is the consequence to my firm if our peer review receives a grade of pass with deficiencies?

**A.** Firms that receive a peer review with a grade of pass with deficiencies generally receive a letter from the peer review administering entity with remedial actions the firm must take. After the remedial actions are completed, the firm receives a letter from the peer review administering entity stating that their peer review is complete. LLA requires a copy of the completion letter for the CPA's file.

**Q.** What is the consequence to my firm if we receive two failed peer reviews in a row?

**A.** If a CPA firm receives two failed peer reviews in a row, LLA generally removes the firm's name from its approved list of CPAs.

## **Links:**

1. <https://lla.la.gov/go/AK2SVK>
2. <https://lla.la.gov/go/AK4KB3>
3. <https://lla.la.gov/resources/local-government-reporting/approved-cpas>
4. <https://lla.la.gov/go/AMNL2R>

5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1290-cpa-peer-review-authorization-form>

*NB: This document is the current version as of 07-28-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Legislative Auditor Monitoring And Disciplinary Actions Regarding CPA Firms ( 400-1030 )

The Louisiana Legislative Auditor (LLA) approves certified public accounting (CPA) firms to perform the audit and other attest engagements of local government agencies and quasi-public organizations (local auditees<sup>1</sup>) that report to LLA.

The audit law<sup>2</sup> (Louisiana Revised Statute (R.S.) 24:513 A. (5)<sup>3</sup>) gives LLA the authority to accept the reports of local auditees that are prepared by CPAs in lieu of LLA performing these engagements. R.S. 24:513 A. (6)<sup>3</sup> gives LLA the authority to prescribe the terms and conditions of CPA engagements.

In order to fulfill its oversight responsibilities under R.S. 24:513 A. (5) and (6)<sup>3</sup>, LLA performs ongoing monitoring activities to ensure the quality of CPA engagements and reports:

- A CPA firm must submit certain information to LLA before it is initially approved. This information includes the CPA firm's most recent peer review; disclosure of any investigative or disciplinary actions taken against the firm in the last ten years; continuing professional education information, and other information regarding the firm. Licenses and firm permits are confirmed by LLA through the State Board of CPAs of Louisiana's website. The CPA firm must also provide a written confirmation that during the last ten years, the firm or its personnel have not been the subject of a disciplinary action by any state board of accountancy or other regulatory body (including but not limited to federal and state grantor agencies) due to noncompliance with the rules and regulations of the regulatory body. If the firm has been the subject of such a disciplinary action, it must provide a copy of the notification letter it received from the regulatory body that describes the noncompliance and any disciplinary actions taken against the firm or its personnel by the regulatory body; and a statement describing how the firm has or is addressing and rectifying the matter of noncompliance, if applicable. See also CPA Firm Approval<sup>4</sup>.

CPA firms must submit, on an ongoing basis and in a timely manner, its most recent peer review to LLA. See also Peer Reviews<sup>5</sup>.

CPA firms must notify LLA, on an ongoing basis and in a timely manner (as specified below), if the firm or its personnel is the subject of an investigation or disciplinary action by any state board of accountancy or other regulatory body (including but not limited to federal and state grantor agencies) due to noncompliance with the rules and regulations of the regulatory body. The firm must provide a copy of the notification letter it received from the regulatory body that describes the noncompliance and any disciplinary actions taken against the firm or its personnel by the regulatory

body; and a statement describing how the firm has or is addressing and rectifying the matter of noncompliance, if applicable. The notification to LLA must occur no later than two weeks after receipt of the regulatory body's notification letter by the CPA firm.

LLA staff members verify annually that all firms have a current firm permit, if required; and at least one firm member has a current license to practice public accounting.

LLA staff members perform desk reviews of submitted reports. See also Legislative Auditor Report Review<sup>6</sup>.

LLA staff members perform quality control reviews (QCR), on all CPA firms on a rotating basis; and as the result of significant or recurring problems in an CPA firm's work identified during LLA's desk review or by other means

LLA may take disciplinary actions regarding a CPA firm for the following:

A peer review that receives a grade of fail

Failure of a CPA firm to provide its most current peer review to LLA in the time prescribed by LLA policy

Cancellation of a CPA's license or firm permit by the state licensing authority

Failure of a CPA to renew a license or a firm permit

Significant or recurring errors noted in a CPA's submitted reports, identified in LLA's desk review

Substandard work performed on an engagement, identified by an LLA QCR

Continued lateness of reports or other failure to comply with Louisiana law or LLA policies

Disciplinary actions taken against the firm or its personnel by a regulatory body other than LLA

Failure of a CPA firm to timely notify LLA if the firm or its personnel is the subject of an investigation or disciplinary action by any state board of accountancy or other regulatory body (including but not limited to federal and state grantor agencies) due to noncompliance with the rules and regulations of the regulatory body.

Other performance matters or failure to comply with Louisiana law and/or LLA policies, as determined by LLA

Disciplinary actions taken by LLA may be standardized, such as the remedial actions required of a firm that has received a failed peer review; or determined by LLA on a case by case basis, depending upon the facts and circumstances of the condition.

Disciplinary actions may include but are not limited to the following, either singly or in any combination:

Additional education requirements

Coaching by an experienced governmental auditor

Pre-issuance reviews of a firm's reports before they are submitted to LLA

Limiting the number of outstanding engagements (engagement approved and report not received)  
a firm may have at any one time

LLA may also suspend a CPA firm for cause, at the discretion of the Legislative Auditor.

LLA communicates any disciplinary action taken regarding a CPA firm to the firm by certified letter. The letter is copied to the State Board of CPAs of Louisiana and the Society of Louisiana Certified Public Accountants.

A CPA firm may appeal any disciplinary actions or suspension taken by LLA. The request should be in writing, and addressed to the Legislative Auditor.

Under the audit law, the Legislative Auditor has the final authority to determine the terms and conditions under which any CPA firm may perform the audit and other attest work for the local auditees that report to LLA.

## **QUESTIONS:**

**Q.** My firm's most recent peer review received a grade of fail, and LLA is requiring my firm to obtain pre-issuance reviews on the next four engagements we submit to LLA. Does LLA select and compensate the CPA who performs pre-issuance reviews to fulfill the disciplinary actions it imposes?

**A.** No. The CPA firm whose reports are receiving the pre-issuance reviews selects and compensates the CPA who performs their pre-issuance reviews.

**Q.** How do I go about selecting a CPA to perform a pre-issuance review?

**A.** Generally, a CPA who is qualified to perform peer reviews may also perform pre-issuance reviews. A list of CPAs who perform peer reviews is available through the AICPA ([https://peerreview.aicpa.org/reviewer\\_Search.html](https://peerreview.aicpa.org/reviewer_Search.html)<sup>7</sup>). Because of independence considerations, the CPA that performs a firm's peer review may not be able to perform pre-issuance reviews for the same firm. LLA's additional requirements for a CPA to perform a pre-issuance review are: (1) the CPA's firm must be on LLA's approved list of CPA firms; (2) the CPA firm's most recent peer review must be dated within the last 42 months and must have received a grade of pass, (3) the CPA must have the required competencies to perform the pre-issuance review.

**Q.** I am having trouble finding a CPA who can perform my firm's pre-issuance reviews. Does LLA recommend a CPA who can perform a pre-issuance reviews?

**A.** No. Although LLA maintains a list of CPA firms that have been approved to perform audits and

other attestation engagements for agencies that report to LLA, it does not recommend specific CPAs to perform pre-issuance reviews or any other type of engagement.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1010-cpa-firm-approval>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1020-peer-reviews>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1240-legislative-auditor-report-review>
7. [https://peerreview.aicpa.org/reviewer\\_Search.html](https://peerreview.aicpa.org/reviewer_Search.html)

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Use Of Other CPA Firms As Engagement Staff ( 400-1040 )

The certified public accounting (CPA) firms that perform the audit and other attest engagements for the local government agencies and quasi-public organizations (local auditees<sup>1</sup>) that report to the Louisiana Legislative Auditor (LLA) range in size from sole practitioners with one partner; to national firms with hundreds of staff, seniors, managers and partners.

Smaller firms sometimes engage for an audit or other attest engagement that they do not have the staff to perform. Those firms may partner with another CPA firm on LLA's approved list to provide staff for the engagement, or may enlist the services of a CPA firm or sole practitioner that is not on LLA's approved list.

LLA encourages interaction and collaboration between CPA firms, especially those on LLA's approved list. Much may be gained by maintaining an open line of communication between CPA firms.

All CPA firms should be aware that the firm that signs a local auditee audit, review/attestation or compilation report is ultimately responsible for the quality of the engagement, whether they use their own staff or the staff of other CPA firms to perform the engagement.

CPA firms that are considering using other CPA firms as engagement staff should be aware that CPA firms that were formerly on LLA's list of approved CPAs, but are no longer on the list, may have been suspended for cause; and may not always be forthcoming with this information.

On audits of large local auditees, or local auditees with several component units, the audit work may be divided between several firms. In these types of audits, the CPA firm that is auditing the primary government should consider whether the requirements of AU-C 600, *Audits of Group Financial Statements*, apply.

A CPA firm that engages for an audit, but who contracts the majority of the field work and supervision for the fieldwork out to another CPA firm, should consider whether they have enough knowledge of and participation in the engagement to sign the audit report. It may be best for the approved CPA firm to withdraw from the engagement, and the CPA firm that is performing the fieldwork be the auditor of record. In this instance, the approved CPA firm should discuss the

matter with the local auditee and the firm that is performing the fieldwork. If all parties are in agreement that the auditor of record should be changed, the CPA firm that has the approved engagement should contact LLA<sup>2</sup> about cancelling the engagement<sup>3</sup>.

## **QUESTIONS:**

**Q.** I am considering using the services of a sole practitioner as staff on an audit. The sole practitioner used to be on LLA's approved list of CPAs, and used to perform the audit that I will be performing. I noticed that the sole practitioner is not currently on LLA's approved list of CPA's. Will LLA tell me if the reason the sole practitioner is no longer on the list?

**A.** LLA will confirm to a CPA (or anyone else) whether a CPA firm is currently on LLA's approved list. However, LLA regards most other information regarding any firm that is or has been on LLA's approved list as confidential, particularly pertaining to suspension and other disciplinary actions taken by LLA.

It is the responsibility of the CPA firm to fully evaluate the qualifications of any staff they plan to use on an audit, whether the staff is directly employed by the CPA firm, or is working for the CPA firm on a contractual basis.

It is also the responsibility of the CPA firm who signs the report to perform the engagement in accordance with all applicable standards. Any disciplinary action taken by LLA for substandard work performed on an engagement will be taken regarding the firm that signed the report, not the staff that was used by the CPA firm to perform the work on the engagement.

## **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1140-cancelling-an-engagement>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Auditing Standards And The Difference Between GAAP| GAAS and GAGAS ( 400-1050 )

Certified public accountants, like other professionals, use a lot of acronyms. The meaning of these acronyms is not always clear, even to the members of the profession that use them.

Three of the acronyms that are confusing to CPAs – because they are related in form and in substance – are those for ***generally accepted accounting principles (GAAP)***; ***generally accepted auditing standards (GAAS)***, and ***generally accepted government auditing standards (GAGAS)***.

***Generally accepted accounting principles or GAAP*** are the minimum standards and guidelines for financial accounting and reporting. Reporting in accordance with GAAP ensures consistency and comparability among like entities. The audit report of a department store should include the same types of information as the audit report of another department store; and the audit report of a city should include the same types of information as the audit report of another city.

Different standards setting bodies establish GAAP for different types of entities. The Governmental Accounting Standards Board or GASB sets GAAP for state and local governmental entities. The Financial Accounting Standards Board or FASB sets GAAP for all non-governmental entities, including nonprofit organizations.

The audit law<sup>1</sup> (Louisiana Revised Statute (R.S.) 24:514<sup>2</sup>) requires the reports of local auditees<sup>3</sup> to be prepared in accordance with GAAP. There is an exception in the law for local auditees that, under Louisiana law, cannot issue bonded debt (R.S. 24:514 B. (2)).

***Generally accepted auditing standards or GAAS*** are the minimum standards certified public accountants (CPAs) must follow when they perform audits. Auditing standards have evolved over the last four decades to ensure consistency and uniformity in the performance of audits.

The American Institute of Certified Public Accountants (AICPA) establishes the standards for all audits that are performed in the United States. These standards are promulgated through the AICPA's *Statements on Auditing Standards* or SAS's<sup>4</sup>; and are referred to as ***generally accepted auditing standards or GAAS***.

The difference between **generally accepted accounting principles** and **generally accepted auditing standards** is that **generally accepted accounting principles** pertain to how a local auditee's financial statements are prepared; and **generally accepted auditing standards** pertain to how those financial statements are audited by a CPA.

**Generally accepted government auditing standards or GAGAS** are the additional standards, over and above GAAS, that CPAs must follow when auditing state and local governments, and non-governmental organizations that receive government funds. GAGAS are promulgated by the US Government Accountability Office (GAO) in the publication *Government Auditing Standards*. The book in which these standards are contained has a bright yellow cover, so *Government Auditing Standards* are often referred to as "Yellow Book standards." A CPA that performs an audit of these organizations must follow GAGAS in addition to the standards promulgated by the AICPA. A copy of the Yellow Book is available on the GAO website<sup>5</sup>.

The difference between **generally accepted auditing standards (GAAS)** and **generally accepted government auditing standards (GAGAS)** is the additional requirements that the auditor must follow when performing an audit in accordance with GAGAS. An auditor who performs an audit in accordance with GAGAS prepares a report regarding his or her consideration of the agency's internal control over financial reporting, and the results of the auditor's tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. This report is called the *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* and is usually issued with the audited financial statements; although it may be issued as a separate document. It is also referred to as the Yellow Book report. If findings are noted, a schedule of findings accompanies the report. The Yellow Book report and the schedule of findings are not included in an audit report if the engagement was performed under **generally accepted auditing standards** or **GAAS**.

Most audits of local auditees in Louisiana are performed in accordance with **both** generally accepted auditing standards or GAAS, **and** generally accepted government auditing standards or GAGAS.

If the local auditee expended federal funds of \$750,000 or more, the audit must also be performed in accordance with the US Office of Management and Budget publication *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*<sup>6</sup>. Additional procedures are performed during a Uniform Guidance audit to determine whether the expenditure

of federal funds was done in accordance with federal law.

## QUESTIONS:

**Q.** Are there minimum procedures that the Legislative Auditor requires an auditor to use?

**A.** The Legislative Auditor (LLA) expects the CPA to adhere to all applicable professional standards during the performance of his/her engagement. The CPA may also wish to consider using the best practices documents (available on LLA's website)<sup>7</sup> to develop additional procedures.

**Q.** Do audits that are performed under Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards also include a Yellow Book report?

**A.** Most audits performed under *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* include a Yellow Book report, plus a third report, the *Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance*. This report has similar language to the Yellow Book report, but pertains only to the auditor's tests of the local auditee's federal funds. Audits performed on a single federal program, or program specific audits, are not required to include the Yellow Book report.

**Q.** Are any of the audits submitted to LLA performed under GAAS, and not GAGAS?

**A.** Audit and review/attestation engagements are subject to GAGAS. If a local auditee is required to submit an audit or review/attestation report to LLA under the audit law (R.S. 24:513), the related engagement must be performed in accordance with GAGAS.

Compilation engagements are not subject to GAGAS. Some local auditees that are required by the audit law to submit a compilation report to LLA choose to submit an audit. LLA will accept a GAAS audits for these local auditees.

**Q.** What would happen if the local auditee does not adopt GAAP?

**A.** If a local auditee does not adopt all or certain provisions of GAAP, LLA would expect to see a modified auditor's opinion in an audit report. A CPA performing a review/attestation or compilation engagement would need to consider the provisions of the AICPA's *Standards for Review and Accounting Services*<sup>8</sup> (AR-C Section 90.56 - .60 and AR-C Section 80.29 - .33, respectively) in the event their local auditee client does not adopt GAAP. LLA would also expect to see a finding in an audit or review/attestation report for the matter of noncompliance with R.S. 24:514, to include management's plan of corrective action.

## Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://legis.la.gov/Legis/Law.aspx?d=84131>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020->

local-government-agencies-and-quasi-public-organizations-local-auditees

4. <https://www.aicpa.org/research/standards/auditattest/clarifiedsas.html>
5. <https://www.gao.gov/assets/gao-18-568g.pdf>
6. [https://www.ecfr.gov/cgi-bin/text-idx?  
SID=aa95302ca2ca1b9f7b0325c933e2dbdb&mc=true&node=pt2.1.200&rgn=div5](https://www.ecfr.gov/cgi-bin/text-idx?SID=aa95302ca2ca1b9f7b0325c933e2dbdb&mc=true&node=pt2.1.200&rgn=div5)
7. <https://lla.la.gov/go/AK4KUX>
8. <https://www.aicpa.org/research/standards/compilationreview.html>

*NB: This document is the current version as of 05-02-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Standards For Other Engagements ( 400-1060 )

Most of the audit engagements performed by certified public accountants (CPAs) for local auditees<sup>1</sup> that report to the Louisiana Legislative Auditor (LLA) are required to be performed under generally accepted government auditing standards<sup>2</sup>.

**Audit reports** are not the only types of reports that are submitted to LLA (see What Kind of Report Does My Agency Need to Provide to the Legislative Auditor?<sup>3</sup>). The engagements for reports that are not audits are performed under different standards.

**Review/attestation reports** are submitted for those local auditees that receive between \$200,000 and \$499,999 in revenues and other sources. The review portion of these engagements is performed under *Standards for Accounting and Review Services*<sup>4</sup> promulgated by the American Institute of Certified Public Accountants (AICPA); the attestation portion is performed under *Standards for Attestation Engagements*<sup>5</sup> promulgated by the AICPA. *Government Auditing Standards*<sup>6</sup> also apply to review/attestation engagements, and incorporate the AICPA standards by reference.

**Compilation reports** are submitted for those local auditees that receive between \$75,001 and \$199,999 in revenues and other sources. They are performed under *Standards for Accounting and Review Services*<sup>4</sup> promulgated by the AICPA.

Some local auditees enter into engagements with CPAs to perform agreed-upon procedures engagements, in which the CPA performs tests that are agreed to by the auditee and the CPA. As stated previously, agreed-upon procedures engagements are performed under *Standards for Attestation Engagements*<sup>5</sup> promulgated by the AICPA and *Government Auditing Standards*<sup>6</sup>.

### QUESTIONS:

**Q.** Does LLA accept examination reports?

**A.** Although examination reports that are performed under *Standards for Attestation Engagements*<sup>5</sup> are not provided for in the audit law, LLA accepts examination reports for some types of non-routine engagements. To discuss whether an examination report would be appropriate, please call LLA's Engagement Manager<sup>7</sup>.

**Q.** My CPA firm is on LLA's approved list. We perform bookkeeping services for the local auditee,

and are therefore not independent. May we perform the local auditee's statutorily required compilation engagement?

**A.** Generally, performing bookkeeping services for a client impairs the CPA's independence to the point that the CPA cannot be considered independent toward the client. However, a CPA does not offer any type of assurance in a compilation engagement. Therefore, a CPA may perform a compilation engagement for a local auditee towards which he or she is not independent, provided that the CPA discloses the lack of independence in the compilation report.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1040-what-kind-of-report-does-my-agency-need-to-provide-to-the-legislative-auditor>
4. <https://www.aicpa.org/research/standards/compilationreview.html>
5. <https://www.aicpa.org/research/standards/auditattest/ssae.html>
6. <https://lla.la.gov/go/AK2SVK>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 07-28-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Laws And Regulations ( 400-1070 )

Generally accepted auditing standards<sup>1</sup> (GAAS) regarding an auditor's responsibility to consider laws and regulations in an audit of financial statements has been codified in AU-C Section 250, *Consideration of Laws and Regulations in an Audit of the Financial Statements*, published by the American Institute of Certified Public Accountants (AICPA).

AU-C 250 states that the auditor is responsible for obtaining reasonable assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error. The provisions of some laws and regulations have a direct effect on the financial statements in that they determine the reported amounts and disclosures in an entity's financial statements. In conducting an audit of the financial statements, the auditor takes into account the applicable legal and regulatory framework, defined as those laws and regulations to which an entity is subject.

Most audits of local government agencies and quasi-public organizations (local auditees) that report to the Louisiana Legislative Auditor (LLA) are performed in accordance with *Government Auditing Standards*<sup>2</sup> (also called generally accepted government auditing standards<sup>1</sup> (GAGAS) or the Yellow Book). In a GAGAS audit, the CPA is required to extend the requirements of AU-C Section 250 to consideration of compliance with provisions of contracts and grant agreements.

GAAS and GAGAS require the auditor to communicate to the entity's management any matters of noncompliance with provisions of laws, regulations, contracts, and grant agreements that has a material effect on the financial statements or other financial data significant to the audit objectives. In a GAGAS audit, this communication takes the form of the *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* (the Yellow Book Report).

In a GAAS audit, the communication is made to management alone; in a GAGAS audit, the communication (the Yellow Book report) is included with the audited financial statements.

If the CPA concludes that the local auditee's noncompliance has a material effect on the financial statements, and it has not been adequately reflected in the financial statements, or if the CPA cannot obtain sufficient appropriate audit evidence to evaluate whether the noncompliance causes

the financial statements to be materially misstated, the CPA should follow the requirements of AU-C 250.24 - .26.

AU-C 250 also addresses the auditor's responsibility if fraud or suspected fraud has been detected. Louisiana Revised Statute 24:523<sup>3</sup> prescribes additional reporting responsibilities for agencies that have knowledge that fraud or misappropriations have occurred<sup>4</sup>. LLA policy also requires specific elements to be included in a finding reporting fraud or misappropriations<sup>5</sup> in a local auditee's audit report.

AU-C 250 acknowledges that because of the inherent limitations of an audit, an unavoidable risk exists that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with GAAS; but defines the requirements of the auditor to obtain sufficient appropriate audit evidence for different categories of laws and regulations.

AU-C 250 requires the auditor to obtain an understanding of the legal and regulatory framework applicable to the entity and the environment in which the entity operates, and how the entity is complying with that framework. What are the sources a CPA firm can use to determine the legal and regulatory framework under which a local auditee is required to operate?

1. The CPA should start with inquiry of the local auditee he is auditing. The local auditee has the primary responsibility for identifying and complying with the laws and regulations that may have a direct and material effect on their financial statements.

For instance, a local government auditee should be knowledgeable about the local government budget act, public bid law, records retention law, and other laws that affect them. A local government auditee should also be knowledgeable about the laws that specifically apply to their type of local auditee (parish governing authority, municipality, school board, assessor, clerk of court, coroner, district or municipal court, sheriff, district attorney, housing authority, special service district, etc.).

The CPA should read the minutes of the governing board for discussion of legal matters, and should examine any grant documents and bond indentures to determine specific requirements under those documents. The CPA should also ask the local auditee for any correspondence from taxing, licensing, grantor or other oversight bodies.

The CPA should obtain management's written representation as to whether they are complying with these laws; and should also consider requesting a legal representation letter from the local auditee's attorney.

2. The Louisiana Compliance Questionnaire<sup>6</sup> provide a basic list of the laws and regulations with

which local auditees must comply. There are different questionnaires for local governments, quasi-public organizations, and charter schools.

3. Many local governments have advocacy organizations that provide information about legal matters on their websites.

4. The Legislative Auditor's website has a Legal Assistance page that has a wealth of information regarding local auditee law. This information is updated annually for any changes in the law, after the close of each Louisiana legislative session.

5. Other sources of legal information that are available to the general public include:

- The Louisiana Legislature's website<sup>7</sup> has a search engine for Louisiana Revised Statutes and the Louisiana Constitution of 1974

- The Louisiana Attorney General's website<sup>8</sup> has a search engine for Louisiana Attorney General opinions

- The Internal Revenue Service's website<sup>9</sup> has a search engine for payroll and other tax-related issues

6. The Legislative Auditor periodically sends information regarding laws and regulations by email to CPAs on its approved list. These notifications (Audit Risk Alerts) are sent on an as-needed basis.

The sources named above are good starting points, but the list cannot be considered an all-inclusive list or a safe harbor by a CPA firm performing a GAGAS audit. The CPA should remain alert to the possibility that there are other laws and regulations with which the local auditee is required to comply.

If performing an initial engagement, the CPA should use his or her existing understanding of the legal and regulatory framework applicable to like agencies.

If performing a repeat engagement, the CPA should ensure that all of the permanent file information regarding laws and regulations pertinent to the local auditee has been updated. The CPA should also consider the local auditee's history of noncompliance with laws and regulations.

A CPA performing an audit of a local auditee that is required to provide for a Single Audit should also consider the compliance requirements of *Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*<sup>10</sup>, published by the Office of Management and Budget; and AU-C 935, *Compliance Audits*.

## QUESTIONS:

**Q.** Am I expected to give a legal opinion on whether a local auditee has complied with laws and regulations that have a material and direct effect on the financial statements? I'm a CPA, not an attorney.

**A.** Auditing standards do not require a CPA to render a legal opinion – AU-C 250.05 states that whether an act constitutes noncompliance is ultimately a matter for legal determination, such as by a court of law – but do require the CPA to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error. This cannot be accomplished without a consideration of the laws and regulations under which the local auditee must operate. Additionally, both GAAS and GAGAS require the CPA to report to management if they find any matters of noncompliance with laws and regulations that have a material effect on the financial statements.

The CPA can report matters of noncompliance without rendering a legal opinion by using qualifying language in their compliance findings; for example, “the local auditee may have violated this provision of the law;” or, “the local auditee should discuss this matter with their legal counsel.”

**Q.** Does a CPA firm need to be concerned about which laws to test in a review/attestation engagement?

**A.** Generally speaking, the CPA's responsibility to test for a local auditee's compliance with laws and regulations in a review/attestation engagement is limited to those matters included in the Louisiana Attestation Questionnaire<sup>6</sup>. Because a review/attestation engagement is more limited in scope than an audit engagement, the CPA firm does not have the same responsibility to test compliance with laws and regulations. However, the CPA must consider the requirements in *Government Auditing Standards*<sup>2</sup>, Chapter 7 (particularly sections 7.73, 7.81 and 7.89) when performing a local auditee review/attestation engagement. If the CPA becomes aware of other matters of noncompliance, particularly those matters that may have a material effect on the financial statements, the CPA should consider reporting them in a schedule of findings in the report. The CPA should also determine whether the existence of such matters affects their ability to conduct or report on the review.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
2. <https://www.gao.gov/assets/gao-18-568g.pdf>
3. <http://legis.la.gov/Legis/Law.aspx?d=84144>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1260-reporting-fraud-to-the-legislative-auditor>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1080-special-reporting-fraud-and-misappropriations>

6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1170-louisiana-compliance-and-attestation-questionnaires>
7. <http://www.legis.la.gov/legis/LawSearch.aspx>
8. <http://www.ag.state.la.us/Opinions>
9. <https://www.irs.gov/>
10. <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

*NB: This document is the current version as of 04-27-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Engagement Agreements – Louisiana Legislative Auditor Requirements ( 400-1080 )

The majority of audit, review/attestation and compilation engagements of local government agencies and quasi-public organizations (local auditees) in Louisiana are performed by certified public accounting (CPA) firms that have been approved by the Louisiana Legislative Auditor (LLA).

LLA has the authority under the audit law (Louisiana Revised Statute 24:513 A. (6)) to prescribe the terms and conditions of these engagements, and to approve these engagements prior to commencement.

LLA approves routine audit, review/attestation, and compilation engagements through a web-based portal on the LLA website called the Local Government Reporting System (LGRS)<sup>5</sup>. The CPA is required to attach the signed engagement agreement to the Engagement Approval Request form in the LGRS portal as a condition of LLA approving the engagement. Instructions for submitting an Engagement Approval Request may be found in Submitting an Engagement Approval Request to the Legislative Auditor. LLA also approves non-routine engagements through the LGRS portal.

The *Louisiana Governmental Audit Guide*<sup>1</sup> requires that specific provisions be included in the underlying engagement agreement that is signed by the local auditee and the CPA firm. By submitting the Engagement Approval Request form through the LGRS portal, the CPA is affirming to LLA that the attached engagement agreement complies with all provisions of the *Louisiana Governmental Audit Guide*.

R.S. 24:514(F)(1) <sup>2</sup>provides that auditees are considered to be engaged timely if the agency has filed an approved engagement agreement with the Legislative Auditor within 60 days of the close of the fiscal year.

LLA does not usually perform a detailed review of the signed engagement agreement; however, LLA may reject any engagement agreement if it does not include all of the provisions required by the *Louisiana Governmental Audit Guide*. These provisions are:

The engagement will be performed in accordance with the *Louisiana Governmental Audit Guide*, authorized by Louisiana Revised Statute 24:513 A. (5) (a) (i), which is published jointly by the Louisiana Legislative Auditor and the Society of Louisiana Certified Public Accountants.

The engagement will be performed in accordance with *Government Auditing Standards, Standards for Accounting and Review Services, Standards for Attestation Engagements*<sup>3</sup>, and/or *US Office of Management and Budget Publication Uniform Administrative Requirements, Cost Principles, and*

*Audit Requirements for Federal Awards*<sup>4</sup>, as applicable.

It is understood that the CPA's audit/engagement documentation is confidential information. However, the CPA will make his/her audit/engagement documentation available to the Legislative Auditor, any successor auditor/accountant, or any organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance reviews. The CPA will follow the Louisiana Legislative Auditor's policy regarding confidentiality of audit/engagement documentation<sup>5</sup> found in the *Louisiana Governmental Audit Guide* when giving access to audit/engagement documentation to any parties other than those previously named individuals and organizations. Should the CPA become aware of any illegal acts, he/she will make their engagement documentation available to the local district attorney and/or any other state or federal enforcement or regulatory agency without liability.

The CPA will retain the audit/engagement documentation for a minimum of five years. Immediately upon completion of the engagement, the CPA will submit a copy of the report to the local auditee and the Legislative Auditor.

Either the CPA or the local auditee will submit a copy of the report to the following persons and agencies, as applicable:

Each member of the local auditee's governing board

Each Louisiana state agency providing financial assistance to the local auditee

The Federal Audit Clearinghouse, as required by 2 CFR Section 200.512

Subsequent to the issuance of the report, should it be necessary to revise and reissue the report, the CPA will notify the Legislative Auditor immediately. The CPA will distribute such revised and reissued report in the same manner and to the same individuals and organizations as the original report.

(To be included in the compensation portion of the engagement agreement):

Our fee for this engagement, which we estimate, will range from \$\_\_\_\_\_ to \$\_\_\_\_\_, including out-of-pocket expenses. This fee estimate is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both the our firm and your agency.

The engagement agreement includes the estimated completion date.

The CPA will notify the local auditee of any breach of the security of the firm's computer system, defined in Louisiana Revised Statute. 51:3073 as the compromise of the security, confidentiality, or integrity of computerized data that results in, or there is a reasonable likelihood to result in, the unauthorized acquisition of and access to the local auditee's personal information, as defined in

## Louisiana Revised Statute 51:3073.

The CPA will notify the Legislative Auditor, in writing, and within ten days of the CPA firm's constructive knowledge of the occurrence of these events:

Any fraud, abuse or illegal acts that are detected during the engagement

Any client imposed scope restrictions, to include failure to provide the appropriate books and records in a timely manner; or denial of access to appropriate books and records

Any significant disagreements with the local auditee

Any change in the scope of the engagement, to include all reasons for such change

The CPA's or agency's decision to withdraw from or cancel the engagement, to include all substantive reasons for the withdrawal or cancellation

The CPA's decision to disclaim the auditor's opinion or to render an adverse opinion on the financial statements for any reason other than omitted component units

Any breach of the security of the CPA firm's computer system, defined in Louisiana Revised Statute 51:3073 as the compromise of the security, confidentiality, or integrity of computerized data that results in, or there is a reasonable likelihood to result in, the unauthorized acquisition of and access to the local auditee's personal information, as defined in Louisiana Revised Statute 51:3073

A list of the required provisions for engagement agreements that are specific to audit<sup>6</sup> and non-routine<sup>7</sup> local auditee engagements may be found in the *Louisiana Governmental Audit Guide*.

These documents are in Word format so that the CPA can cut and paste the content into the illustrative engagement agreements from the practice aid service he or she uses.

LLA also has sample engagement agreements available on its website for:

Review/attestation engagements<sup>8</sup> with agreed-upon procedures for governmental agencies<sup>9</sup>, quasi-public agencies<sup>10</sup>, and charter schools<sup>11</sup>

Compilation engagements<sup>12</sup>

The agreed-upon procedures engagement<sup>13</sup> to be performed on the schedules of performance and statistical data included in the audit reports of school boards and charter schools, required by Louisiana Revised Statute 24:514 I.

The agreed-upon procedures engagement<sup>14</sup> required by LLA of all agencies that are required to provide for an audit under R.S. 24:513 (also referred to as the Statewide Agreed-Up Upon Procedures Engagement).

The Legislative Auditor approves engagement agreements at its discretion and may not approve or may hold engagement agreements if the prior year report has not been submitted; the CPA is not in good standing, is unresponsive to requests for additional information from the Legislative Auditor, does not meet the requirements for CPA firm approval as detailed in Section 400-1010<sup>15</sup>, or does not meet the requirements for peer review as detailed in Section 400-1020<sup>16</sup>; or for disciplinary

actions as detailed in Section 400-1030<sup>17</sup>.

## QUESTIONS:

**Q.** Does LLA allow a CPA to submit an Engagement Approval Request that covers more than one fiscal year?

**A.** CPAs are allowed to request approval for up to four fiscal years' engagements for the same auditee on one Engagement Approval Request form. The number of fiscal years indicated on the Engagement Approval Request form should equal the number of fiscal years covered by the signed engagement agreement attached to the form. **For local auditees that are required to provide for the statewide agreed-upon procedures engagement, please see the next question.**

**Q.** How are statewide agreed-upon procedures engagements approved?

**A.** Statewide agreed-upon procedures engagements are approved through the LGRS portal. The signed engagement agreement is attached to the same Engagement Approval Request form as the related audit engagement(s).

If a local auditee is required to provide for the statewide agreed-upon procedures engagement, LLA will approve only the audit engagements for which both the audit **and** the agreed-upon procedures engagement agreements have been attached. For example, if the audit engagement agreement attached to an Engagement Approval Request form covers three fiscal years, but the attached statewide agreed-upon procedures engagement agreement covers only one of those fiscal years, LLA will approve **only** the audit engagement and the agreed-upon procedures engagement for the one fiscal year for which both engagement agreements have been provided.

**Q.** If the cost of the engagement changes, am I required to notify LLA?

**A.** Actual engagement costs are required to be provided to LLA within ninety days after the report is submitted. Any changes from the initial estimated cost of the engagement may be reported to LLA at that time.

**Q.** My audit client has not paid my prior year audit fees. May I engage the client for the current year audit?

**A.** A CPA should consult the AICPA's Code of Professional Conduct<sup>18</sup>, Section 1.230.010, *Government Auditing Standards*<sup>19</sup>, and the Rules of the State Board of CPAs of Louisiana<sup>20</sup> to determine whether they are independent regarding **any** prospective audit or attest client before engaging them; and must also monitor their independence throughout every audit and attest engagement.

**Q.** The Legislative Auditor used to have a sample audit engagement agreement on its website, but not anymore. What happened to it?

**A.** The main focus of the *Louisiana Governmental Audit Guide* and its related practice aids are

those matters that pertain specifically to governmental engagements in Louisiana; and generally, not matters that are common to all governmental engagements that are performed throughout the United States and for which guidance is readily available through other sources. For example, illustrative governmental audit engagement agreements are available through the practice aid services (PPC, CCH, etc.), used by CPA firms. Therefore, LLA decided not to include a complete illustrative audit engagement agreement in the practice aids it maintains on its website. LLA does provide a document on its website containing the required provisions for local auditee audit engagements in Louisiana. This list is in Word format so that the CPA may cut and paste the content into the illustrative governmental audit engagement agreement from the practice aid service he or she uses.

By contrast, a review/attestation engagement, which is a combination of a review engagement and an agreed-upon procedure engagement, is specific to Louisiana local auditees. Practice aid services commonly provide separate illustrative engagement agreements for review engagements and agreed-upon procedure engagements, but not a combined review/attestation engagement agreement. LLA therefore developed a hybrid review/attestation engagement agreement<sup>8</sup> as a practice aid for CPA firms to use.

A compilation is another type of engagement for which illustrative engagement agreements are available through practice aid services. However, most compilation reports issued in other states do not include (for example) supplementary information; like the schedule of compensation, benefits, and other payments to the agency head that is required to be included in Louisiana local auditee compilation reports. LLA therefore developed an illustrative compilation engagement agreement<sup>12</sup> as a practice aid for CPA firms to use.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1050-louisiana-governmental-audit-guide>
2. <http://legis.la.gov/Legis/Law.aspx?d=84131>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1050-auditing-standards-and-the-difference-between-gaap-gaas-and-gagas>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1060-standards-for-other-engagements>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1195-legislative-auditors-policy-regarding-confidentiality-of-audit-engagement-documentation>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1010-louisiana-legislative-auditor-requirements-for-audit-engagement-agreements>

7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1080-louisiana-legislative-auditor-requirements-for-non-routine-engagements>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1030-sample-review-attestation-engagement-agreement-governmental-agency-quasi-public-agency-or-charter-school>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1040-attachment-to-review-attestation-engagement-agreement-agreed-upon-procedures-for-governmental-agency>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1220-sample-attestation-report-on-applying-agreed-upon-procedures-quasi-public-agency>
11. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1060-attachment-to-review-attestation-engagement-agreement-agreed-upon-procedures-for-charter-school>
12. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1070-sample-compilation-engagement-agreement>
13. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1020-attachment-to-school-board-and-charter-school-audit-engagement-agreements-agreed-upon-procedures-for-schedules-of-performance-and-statistical-data-required-by-louisiana-revised-statut>
14. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1330-statewide-agreed-upon-procedures-example-engagement-agreement>
15. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1010-cpa-firm-approval>
16. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1020-peer-reviews>
17. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1030-legislative-auditor-monitoring-and-disciplinary-actions-regarding-cpa-firms>
18. <https://pub.aicpa.org/codeofconduct/Ethics.aspx>
19. <https://www.gao.gov/assets/gao-18-568g.pdf>
20. <http://cpaboard.state.la.us/blog/wp-content/uploads/2015/10/46v19-092015.pdf>

*NB: This document is the current version as of 08-31-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Submitting An Engagement Approval Request To The Legislative Auditor ( 400-1090 )

The majority of the audit, review/attestation and compilation engagements of local government agencies and quasi-public agencies (local auditees<sup>1</sup>) in Louisiana are performed by certified public accounting (CPA) firms that have been approved by the Louisiana Legislative Auditor (LLA).

LLA has the authority under the audit law<sup>2</sup> (Louisiana Revised Statute 24:513 A. (6)<sup>3</sup>) to approve these engagements prior to commencement.

LLA's approval of an engagement comes after the engagement agreement is signed by the local auditee and the CPA firm. CPA firms may seek approval of routine<sup>4</sup> engagements (audit, review/attestation and compilation) and non-routine<sup>4</sup> engagements, by submitting an Engagement Approval Request form, available through a web-based portal on LLA's website called the Local Government Reporting System or LGRS.

To submit an Engagement Approval Request form, the CPA will:

Access the LLA website([lla.la.gov](http://lla.la.gov))<sup>5</sup>

From the home page of the LLA website, click on "Information for CPAs"

Click on Local Government Reporting System

Click on Access Local Government Reporting System

Log in using the CPA's username and password

Click on Engagement Approval Requests at the top of the page and follow the detailed instructions in the Engagement Request Instruction Template to prepare and submit the Engagement Approval Request form

The CPA attaches the signed engagement agreement to the Engagement Approval Request form, following the instructions in the Engagement Request Instruction Template. For more information on engagement agreements, see Engagement Agreements - Louisiana Legislative Auditor Requirements<sup>6</sup>.

After the information is entered, the CPA clicks on the "Submit" button at the top right hand corner of the form.

LLA staff reviews the submitted Engagement Approval Request form to determine whether the entity is in LLA's database; the CPA has been approved by LLA, and the signed engagement agreement has been attached to the Engagement Approval Request form.

If an Engagement Approval Request form for an audit or review/attestation engagement indicates there is a change of CPA from the prior year, LLA staff contacts the local auditee and the prior CPA to determine the reason the local auditee is changing CPA firms. LLA may decline to approve a change of CPA if LLA determines that the local auditee is trying to "opinion shop," or try to find a CPA who will "tone down" findings

or render a better opinion on the financial statements than the previous CPA, when this is not justified.

LLA will also not approve an engagement in which there is a change of CPA if the local auditee has not paid the prior CPA in full for the prior year engagement, and there is no payment plan or other arrangement to ensure payment of the prior CPA firm.

Engagement Approval Requests are generally processed within 5-7 days after receipt by LLA. When the Engagement Approval Request is approved, a confirmation will be sent to the CPA requesting the engagement approval, and the local auditee, if an email address is on file with LLA.

LLA's approval of any engagement is conditional. LLA reserves the right to cancel its approval of any engagement if LLA determines it is in the best interest of the state of the Louisiana to do so.

### **QUESTIONS:**

**Q.** How do I get the local auditee's entity ID number? How do I get my CPA firm and contact ID's; or the LGRS username and password, if I misplaced them?

**A.** This information can be obtained by contacting LLA's Local Government Services staff<sup>7</sup>.

**Q.** What does LLA do with the engagement cost information?

**A.** LLA collects engagement cost information for its own purposes; and provides it to interested parties through a look-up menu on LLA's website<sup>8</sup>.

**Q.** Am I limited to charging my client the estimated cost of the engagement submitted with the Engagement Approval Request?

**A.** LLA recommends that the CPA include a provision in the engagement agreement that allows the amendment of the not-to-exceed cost of the engagement with the written agreement of the CPA and the local auditee. This ensures that the CPA is fairly compensated if unanticipated additional time is spent on the engagement (see Engagement Agreements – Louisiana Legislative Auditor Requirements<sup>6</sup>).

**Q.** I finished my audit engagement and the report is ready to submit. However, I just realized I neglected to get LLA's approval for the engagement. What should I do?

**A.** In order to enable the CPA to submit the report, LLA must approve the engagement and get it set up electronically in the web portal. So, you do need to submit the Engagement Approval Request. However, CPAs should be aware that failing to get LLA approval before beginning work on an engagement is a technical violation of the audit law, and may result in disciplinary actions<sup>9</sup> for the firm if it occurs frequently.

**Q.** May a local auditee submit an Engagement Approval Request?

**A.** The LGRS portal is currently accessible only by approved CPA firms and LLA staff. Therefore, the CPA must submit the Engagement Approval Request to LLA..

**Q.** I submitted an Engagement Approval Request for a compilation. Due to an increase in the funds the local auditee received, I need to change the engagement to an audit. How do I do this?

**A.** If you need to update an Engagement Approval Request that has been submitted, please notify Local Government Services by email at [eengage@lla.la.gov](mailto:eengage@lla.la.gov).

**Q.** May a multiple year engagement be submitted?

**A.** The Engagement Approval Request form allows for the submission of engagements for up to four fiscal years. LLA requires that the number of fiscal years on the Engagement Approval Request agrees with the number of fiscal years covered by the signed and attached engagement agreement.

**Q.** How are engagements required under Act 774 of the 2014 Legislative Session approved?

**A.** Act 774 engagements<sup>11</sup> are also approved by submitting an Engagement Approval Request. Instructions for requesting approval of an Act 774 engagement are available on the last page of the Engagement Request Instruction Template<sup>12</sup>.

**Q.** My CPA firm is not on LLA's approved list. We are performing a compilation engagement for a local auditee that is required to provide sworn financial statements to LLA. Must our firm be approved by LLA to perform the engagement? Does LLA need to approve the engagement?

**A.** Compilation engagements performed to prepare sworn financial statements are not required to be approved by LLA; and may be performed by a CPA firm that is not on LLA's approved list.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1100-routine-and-non-routine-engagements>
5. <https://www.lla.la.gov/>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1080-engagement-agreements-louisiana-legislative-auditor-requirements>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
8. <https://lla-craft.rockitscienceagency.com/resources/report-cost-lookup>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1030-legislative-auditor-monitoring-and-disciplinary-actions-regarding-cpa-firms>
10. <mailto:eengage@lla.la.gov>
11. <https://lla-craft.rockitscienceagency.com/resources/local-government/reporting/la-government-audit-guide/400-1130-act-774-engagements>
12. <https://www.lla.la.gov/documents/CPA%20Instructions%20for%20Engagement%20Request%20Submission.pdf>

*NB: This document is the current version as of 09-30-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Routine And Non-Routine Engagements ( 400-1100 )

The annual audit, review/attestation and compilation engagements of local government agencies and quasi-public organizations (local auditees<sup>1</sup>) in Louisiana are provided for in the audit law<sup>2</sup> (Louisiana Revised Statute (R.S.) 24:513<sup>3</sup> and 24:514<sup>4</sup>). The majority of these engagements are performed by certified public accounting (CPA) firms that have been approved by the Louisiana Legislative Auditor (LLA); and are referred to as **routine engagements**. LLA has the authority under the audit law (R.S. 24:513 A. (6)<sup>3</sup>) to approve routine engagements prior to commencement.

LLA also approves **non-routine engagements** for local auditees. A non-routine engagement is any engagement that

Is performed in accordance with professional audit, attestation, or compilation and review standards.

Results in a report, and

Is not specifically provided for in the audit law (R.S. 24:513<sup>3</sup> and 24:514<sup>4</sup>).

Examples of non-routine engagements include but are not limited to:

Agreed-upon procedures engagements<sup>5</sup> of a local auditee's process of a specific type of transaction, such as travel expenditures. Most non-routine engagements that are submitted to LLA for approval are agreed-upon procedure engagements that are performed under the attestation standards.

Examination engagements<sup>5</sup>

Audits of a specific account group or groups, such as a school board's school activity funds

Audits of information that is required by Governmental Accounting Standards Board Statement No. 68 to be included in the annual financial reports of local government agencies that participate in state and statewide retirement systems

Exceptions to the above include:

Engagements to audit a college or university foundation, alumni association, or building corporation<sup>6</sup>

Engagements to audit the state central committee or parish executive committee of a recognized political party<sup>7</sup>

Engagements that are not performed under professional audit, attestation or compilation and review standards; e.g., management advisory services engagements that are performed under the

AICPA's *Statement on Standards for Consulting Services* or *Statement on Standards for Forensic Services*. However, LLA asks CPAs to notify Local Government Services<sup>8</sup> if they find fraud or abuse while performing these engagements.

Compilation engagements that are performed under the AICPA's *Statements on Standards for Accounting and Review Services* to facilitate a local auditee's statutorily required audit or review/attestation engagement; or to prepare a local auditee's statutorily required sworn annual financial statements.

Engagements that are regulatory in nature and are required by another entity outside of LLA, such as an agreed-upon procedures engagement required by another Louisiana state agency; an engagement to submit financial information for a housing authority to HUD-REAC, or a calculation of debt service coverage ratios to be included in a proposal for a loan or other debt.

Engagements that meet these exceptions do not need to be approved by LLA, and may be performed by a CPA firm that is not on LLA's approved list.

Both routine and non-routine engagements are approved by LLA through the Engagement Approval Request form. See Submitting an Engagement Approval Request to the Legislative Auditor<sup>9</sup> for more information on this process.

## **QUESTIONS:**

**Q.** What is the due date for a non-routine engagement report?

**A.** Because non-routine engagements are not provided for in the audit law, there is no due date for them. However, non-routine engagement reports should be issued in a timeframe that would make the information relevant to the users of the report.

**Q.** Are reports for non-routine engagements submitted in a different manner than reports for routine engagements?

**A.** Reports for non-routine engagements are submitted through the web portal, as are reports for routine engagements. See Submitting a Report to the Legislative Auditor<sup>10</sup>.

## **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
4. <http://legis.la.gov/Legis/Law.aspx?d=84131>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1110-agreed-upon-procedures-and-examination-engagements>

6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1050-special-reporting-college-and-university-foundations-alumni-associations-and-building-corporations>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1125-special-reporting-state-central-committees-and-parish-executive-committees>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1090-submitting-an-engagement-approval-request-to-the-legislative-auditor>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1230-submitting-a-report-to-the-legislative-auditor>

*NB: This document is the current version as of 04-27-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Agreed-Upon Procedures And Examination Engagements ( 400-1110 )

The audit, review/attestation, and compilation reports that local auditees <sup>1</sup>are required to submit to the Louisiana Legislative Auditor (LLA) by the audit law <sup>2</sup>(Louisiana Revised Statute 24:513<sup>3</sup>) provide a great deal of information to local auditees and the users of their financial statements.

However, an audit, review/attestation, or compilation report may not meet the needs of all users of local auditee reports, who may require additional information and assurances on internal control, compliance with laws and regulations, or other matters.

The local auditee may hire a certified public accounting (CPA) firm to perform additional tests of controls and compliance or other matters to supplement the financial statement audit's or other engagement's coverage of these areas; in order to meet the local auditee's needs, or the needs of other report users.

These additional needs are often met by the following:

- An agreed-upon procedures engagement
- An examination engagement

An agreed-upon procedures engagement is performed by a CPA firm in accordance with *Standards for Attestation Engagements*<sup>4</sup> promulgated by the American Institute of Certified Public Accountants. As the name suggests, this type of engagement consists of a CPA performing procedures that are agreed to by the local auditee and the CPA firm. The list of procedures to be performed is included in the engagement agreement that is signed by the local auditee and the CPA firm. After the engagement is completed, the CPA prepares a report on the results of the procedures performed, and any exceptions noted.

An examination engagement is also performed by a CPA in accordance with *Standards for Attestation Engagements*<sup>4</sup>. In an examination engagement, the CPA obtains reasonable assurance about whether the subject matter of the engagement, as measured or evaluated against the criteria, is free from material misstatement; and expresses an opinion about whether the subject matter is in accordance with, or based on, the criteria; or whether management's assertion is fairly stated, in all material respects.

Common subjects of agreed-upon procedures and examination engagements are the test of specific types of expenditures, such as travel and credit card expenditures; or certain types of accounts, such as school activity funds. These engagements may also be performed on the contents of a specific report or statement, such as a tax collector's statement of taxes assessed and settlements made to parish taxing authorities.

Most agreed-upon procedures and examination engagements (except for statewide agreed-upon procedures engagements<sup>5</sup>) are classified as non-routine engagements<sup>6</sup>. Non-routine agreed-upon procedures and examination engagements are approved by LLA through the Engagement Approval Request form<sup>7</sup>. See Submitting an Engagement Approval Request to the Legislative Auditor<sup>8</sup> for more information on this process.

## **QUESTIONS:**

**Q.** How do agreed-upon procedures and examination engagements differ from audit engagements?

**A.** The principal difference between an audit engagement, and an agreed-upon procedures or examination engagement is the type of standards under which the engagements are performed. Audits are performed under auditing standards promulgated by the AICPA; agreed-upon procedures and examination engagements are performed under attestation standards promulgated by the AICPA.

**Q.** The comptroller for a local auditee would like to engage our CPA firm to perform an agreed-upon procedures engagement to test 100% of their expenditures. Is this advisable?

**A.** If fraud is suspected, an engagement to test 100% of expenditures may be in order. Absent a suspicion of fraud, such an engagement may cost a local auditee far more than the value of any knowledge that would be gained. It would cost less money, and would most likely be as effective, for the local auditee to identify the specific areas of concern – such as whether documentation for travel or credit card reimbursements is adequate – and hire your firm to perform an agreed-upon procedures engagement regarding these transactions.

**Q.** Must an agreed-upon procedures engagement or examination engagement be performed by the CPA firm that performed the audit?

**A.** An agreed-upon procedures engagement or examination engagement needs to be performed by a CPA firm on LLA's approved list, but does not need to be performed by the same CPA that performed the local auditee's audit, review/attestation, or compilation engagement. The exception is the statewide agreed-upon procedures engagement<sup>9</sup> LLA requires of all local auditees that are required by the audit law to provide an audit report to LLA.

## Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
4. <https://us.aicpa.org/research/standards/auditattest/ssae>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1127-special-reporting-statewide-agreed-upon-procedures-engagements>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1100-routine-and-non-routine-engagements>
7. <https://www.lla.la.gov/cpas/engagement-approval-forms/index.shtml>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1090-submitting-an-engagement-approval-request-to-the-legislative-auditor>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1330-statewide-agreed-upon-procedures-example-engagement-agreement>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Cancelling An Engagement ( 400-1140 )

Local government agencies and quasi-public organizations (local auditees<sup>1</sup>) that report to the Louisiana Legislative Auditor (LLA) enter into contracts with certified public accountants (CPAs) on LLA's approved list to perform the audit, review/attestation, and compilation engagements required by the audit law<sup>2</sup> (Louisiana Revised Statute 24:513<sup>3</sup>).

Once the engagement agreement between the local auditee and the CPA is signed, LLA approves the engagement agreement through the Engagement Approval Request<sup>4</sup>.

An engagement agreement is a legally binding contract. Before LLA will cancel its approval for an engagement, it must receive written confirmation that the decision to cancel the engagement has been agreed to by both the local auditee and the CPA.

To cancel an approved engagement, LLA must -

- Receive a request to cancel the engagement, from either the CPA or the local auditee

- Receive confirmation from the CPA firm that they have agreed to cancel the engagement agreement

- Receive confirmation from the local auditee that they have agreed to cancel the engagement

The confirmation must be written, and may be sent to LLA's Engagement Administrator<sup>5</sup> either by email or by letter.

After the confirmations are received, an email is sent to the CPA and the local auditee to notify both parties that the engagement has been cancelled. The local auditee must then procure the services of another CPA on LLA's approved list to perform the engagement.

#### **QUESTIONS:**

**Q.** One of my firm's local auditee clients does not want to retain my firm to perform their audit next year, but we have a contract with them for one more year. We don't want to cancel the engagement. What do we do?

**A.** An engagement agreement is a legally binding contract between the CPA firm and the local auditee. LLA will not cancel an engagement agreement upon the unilateral request of one party to the engagement, unless there are extenuating circumstances, such as non-performance of the

engagement of the CPA, or failure of the local auditee to provide the CPA with the records he or she needs to perform the engagement.

However, the CPA firm should consider that performing an audit for a local auditee that does not wish to do business with them may constitute a less than ideal work environment. It may be best for all concerned for the CPA firm to agree to cancel the engagement.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
4. <https://lla-craft.rockitscienceagency.com/resources/approved-cpas>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-27-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Auditors' Opinions And Accountants' Reports ( 400-1150 )

Audit, review/attestation, and compilation reports that are submitted to the Louisiana Legislative Auditor (LLA) include certain types of reports prepared by the certified public accountant (CPA) that performed the related engagement.

Audit reports include the independent auditor's opinion<sup>1</sup>. In this report, the CPA states whether he or she believes that the auditee's financial statements present fairly, in all material respects, the financial position of the local auditee<sup>2</sup>, in conformity with generally accepted accounting principles.

If the audit was performed in accordance the *Government Auditing Standards* (as are most audits submitted to LLA), there will be an additional report, the *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*. If the local auditee spent \$750,000 or more in federal funds, the audit report will include a third report, the *Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance*.

Review reports include the independent accountant's review report<sup>3</sup>. In this report, the accountant states whether he or she is aware of any material modifications that need to be made to the local auditee's financial statements in order for them to be fairly stated, in all material respects, in accordance with generally accepted accounting principles.

Most review reports that are submitted to LLA include an attestation report in which the accountant gives the results of his or her tests of the local auditee's compliance with certain laws and regulations; based on representations given to the accountant by the local auditee in the Louisiana Attestation Questionnaire.<sup>4</sup>

Compilation reports include the accountant's compilation report<sup>5</sup>. This report gives no assurance from the accountant as to whether the local auditee's financial statements are in conformity with generally accepted accounting principles.

#### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1160->

types-of-auditors-opinions

2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1200-sample-review-report>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1170-louisiana-compliance-and-attestation-questionnaires>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1240-sample-compilation-report>

*NB: This document is the current version as of 04-27-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Types Of Auditors' Opinions ( 400-1160 )

Auditors may express one of four types of opinions on financial statements –

**Unmodified** – the opinion that is expressed when the auditor concludes that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. For the purposes of local auditee<sup>1</sup> audit reports that are submitted to the Louisiana Legislative Auditor (LLA), generally accepted accounting principles is the financial reporting framework.

**Qualified** – the opinion that is expressed when the auditor either (a) having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive to the financial statements; or (b) is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

**Adverse** – the opinion that is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

**Disclaimer** – the opinion that is expressed when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

Most audit reports receive **unmodified opinions**, the type of opinion that all local auditees should strive to achieve.

The three types of opinions (**qualified**, **adverse**, and **disclaimer**) that are not unmodified opinions are referred to as **modified** opinions. LLA's response when it receives a report with a modified opinion is based on the reason for the modification.

When a report with a **qualified** opinion is received, LLA determines the reason that the qualification of opinion was given. It may be that the local auditee has included most, but not all, of the elements

required by generally accepted accounting principles in its financial statements. Or, the auditor may believe there is a material error in the financial statements that the local auditee will not correct. If the reason for the qualified opinion is within the local auditee's ability to correct, and LLA believes it should be corrected, LLA will generally require that a finding be included in the report describing the condition that caused the qualified opinion, with management's plan of corrective action to resolve the condition. The finding may be waived if LLA believes that the condition is beyond the control of the local auditee, or if LLA believes that the local auditee's decision not to correct the condition is reasonable.

LLA receives many reports with **adverse** opinions. Typically these are local auditees, such as parish governing authorities<sup>2</sup> or municipalities<sup>3</sup> that have one or more component units<sup>4</sup>, but choose to include only the financial activity of the main or primary government in their audit report. When LLA receives an audit report with an adverse opinion because of omitted component units, the only action LLA usually takes is to ensure that all omitted component units are submitting a separate annual financial report to LLA. The auditor's opinion should include the effect of the omitted component units on the financial statements; or a statement that the effect is not known or is indeterminable. LLA treats a report with an **adverse opinion** for any reason other than omitted component units in much the same way it treats a report with a qualified opinion.

LLA considers a local auditee that provides for an audit report with a **disclaimer** of opinion to be in noncompliance with the local auditee's reporting requirement to LLA under the audit law<sup>5</sup> (Louisiana Revised Statute 24:513<sup>6</sup>). LLA expects the CPA to include a finding in this type of report with a full explanation for the reason for the disclaimer of opinion.

After evaluation of the reason for the disclaimer of opinion, LLA may place the local auditee on the noncompliance list pending receipt of the following:

The local auditee's written plan to correct the condition that caused the disclaimer of opinion (corrective action plan)

The name of the governing board member (if applicable) who has been named to monitor the local auditee's implementation of the corrective action plan

The name of the certified public accountant who has been hired to assist the local auditee in implementing the corrective action plan

Based on the content of the corrective action plan, LLA may require nothing further of the local auditee; or it may require additional information, or actions to be taken. LLA may remove the local auditee's name from the noncompliance list, or may leave them on the noncompliance list until the

local auditee can provide for a report with an unmodified opinion.

## **QUESTIONS:**

**Q.** Why does LLA generally require a finding in a local auditee report in which the auditor expresses a modified opinion for a reason other than omitted component units?

**A.** A finding in a report with a modified opinion ensures that the local auditee provides its corrective action plan for the condition that caused the modification of opinion.

**Q.** I am a CPA working on an audit. I believe that we will be rendering a disclaimer of opinion. Do I need to notify LLA before the report is submitted?

**A.** A CPA firm should notify LLA immediately if it believes it will be necessary to render a disclaimer of opinion on a local auditee's audit report, or an adverse opinion for any reason other than omission of component units.

**Q.** Should the auditor's opinion be modified if management of the local government chooses not to present a management's discussion and analysis (MD&A) statement with the financial statements?

**A.** The MD&A statement is required supplementary information under GASB 34; however, it does not change the standards of financial accounting and reporting used for the preparation of the entity's basic financial statements, and therefore does not affect the auditor's opinion on the fairness of presentation of the financial statements in accordance with generally accepted accounting principles (AU-C 730). Therefore, the opinion need not be modified if management chooses to omit the MD&A; however, the auditor's opinion should note the omission of the MD&A in an additional explanatory paragraph.

**Q.** My CPA firm was engaged to perform an audit. After the field work was substantially complete, we determined that we were no longer independent regarding the agency we are auditing. May we issue a disclaimer of opinion?

**A.** If a CPA firm determines at any point in the engagement that they are not independent, the firm may not render an opinion on the financial statements; not even a disclaimer of opinion. The CPA firm must withdraw from the engagement. Should this occur, please contact LLA's Engagement Manager<sup>7</sup> immediately.

## **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1100-parish-governing-authorities>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1090-municipalities>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1150->

component-units

5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
6. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Louisiana Compliance And Attestation Questionnaires ( 400-1170 )

The majority of audits submitted to the Louisiana Legislative Auditor (LLA) are performed under generally accepted government auditing standards<sup>1</sup> or GAGAS. GAGAS requires the auditor to perform tests of the local auditee's<sup>2</sup> compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and to report upon the results of these tests in the *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*.

In order to perform these tests, the auditor must determine which laws, regulations, contracts, and grant agreements are material to the local auditee's financial statements. Then, the auditor must obtain the representation or signed statement of the local auditee as to whether or not they complied with these laws, regulations, contracts and grant agreements.

Louisiana Compliance Questionnaires (for governmental agencies<sup>3</sup>, quasi-public agencies<sup>4</sup>, and charter schools<sup>5</sup>) provide a list of Louisiana laws that are material to the financial statements of local auditees – in other words, it is important for local auditees to follow these laws and regulations. Different compliance questionnaires are available for local governments, quasi-public organizations, and charter schools.

Local auditees that receive between \$200,000 and \$499,999 of revenues and other sources (local government agencies) or local and/or state assistance (quasi-public organizations) annually must provide for reviewed financial statements, and a report, prepared by the certified public accounting (CPA) firm that performed the review, with the results of the CPA's tests of laws and regulations that have been determined to be material to the local auditee's financial statements. Louisiana Attestation Questionnaires (for governmental agencies<sup>6</sup>, quasi-public agencies<sup>7</sup>, and charter schools<sup>8</sup>) are documents that are similar to Louisiana Compliance Questionnaires but are available for use in review/attestation engagements; along with illustrative agreed-upon procedures reports (for governmental agencies<sup>9</sup>, quasi-public agencies<sup>10</sup>, and charter schools<sup>11</sup>). Like the Louisiana Compliance Questionnaires, there are also different attestation questionnaires for the review/attestation engagements of local governments, quasi-public organizations, and charter schools.

The local auditee prepares and signs the compliance or attestation questionnaire, and the local auditee board (if applicable) adopts it in open meeting. The local auditee then provides the questionnaire to their CPA. The CPA bases his or her tests of compliance on the local auditee's responses on the questionnaire.

The CPA retains the compliance/attestation questionnaire with their audit/engagement documentation. It is not necessary for the local auditee or the CPA to provide the questionnaire to LLA.

### **QUESTIONS:**

**Q.** Does the Louisiana Compliance Questionnaire represent the entire population of laws that the CPA must test during his or her audit engagement?

**A.** It is impossible for LLA to determine what laws, regulations, contracts and grant agreements apply to every local auditee. It is the responsibility of the local auditee to identify material laws and regulations that are applicable to the local auditee. It is the responsibility of the CPA to have sufficient knowledge of the local auditee to determine if they have identified all material laws and regulations; and to report any material matters of noncompliance with these laws. For more information, see Laws and Regulations<sup>12</sup>.

**Q.** Does the Louisiana Attestation Questionnaire represent the entire population of laws that the CPA must test during his or her review/attestation engagement?

**A.** A review/attestation engagement is much more limited in scope than an audit engagement, and the CPA is not expected to look outside of the attestation questionnaire to search for laws and regulations that are material to the local auditee. However, if any material matters of noncompliance are noted in a review/attestation engagement, the CPA should consider reporting the condition in a schedule of findings, even if the related law is not included in the attestation questionnaire. For more information, see Laws and Regulations<sup>12</sup>.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1050-auditing-standards-and-the-difference-between-gaap-gaas-and-gagas>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1090-louisiana-compliance-questionnaire-governmental-agency>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1110-louisiana-compliance-questionnaire-quasi-public-agency>

5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1120-louisiana-compliance-questionnaire-charter-school>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1130-louisiana-attestation-questionnaire-governmental-agency>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1140-louisiana-attestation-questionnaire-quasi-public-agency>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1150-louisiana-attestation-questionnaire-charter-school>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1210-sample-attestation-report-on-applying-agreed-upon-procedures-governmental-agency>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1220-sample-attestation-report-on-applying-agreed-upon-procedures-quasi-public-agency>
11. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1230-sample-attestation-report-on-applying-agreed-upon-procedures-charter-school>
12. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1070-laws-and-regulations>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Pension Reporting ( 400-1180 )

Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was implemented for years beginning after June 15, 2014. GASB 68 was subsequently amended by GASB Statements 71, 73, 75, 78, 82 and 85.

Although GASB 68 is not new, it may be unfamiliar to those CPAs whose auditing experience is limited to local auditees (local governments and quasi-public organizations) that are not participating employers - whose employees do not participate in the Louisiana state or statewide retirement systems<sup>1</sup>.

Before performing their first audit of a local auditee that is a participating employer, the Louisiana Legislative Auditor (LLA) recommends CPAs take the following steps to familiarize themselves with GASB 68:

1. Review the *GASB Pension Implementation Toolkit for Governments* for links to the GASB 68 original pronouncement, implementation guide, videos, fact sheets, articles, podcasts, and other useful information.

(<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163527940><sup>2</sup>)

2. Review Chapter 13 of the AICPA Audit and Accounting Guide *State and Local Governments*, available for purchase on the AICPA's website.

<https://www.aicpastore.com/AuditAttest/EnhancingAuditQuality/state-and-local-governments---audit-and-accounting/PRDOVR~PC-012665/PC-012665.jsp><sup>3</sup>)

3. Obtain an understanding of the journal entries for the initial year of GASB 68 implementation, as well as the journal entries for subsequent years. Some amounts are amortized over time, and will affect both current and subsequent years' journal entries.

LLA cannot recommend a single illustrative journal entry for use in all situations, but there are many examples available on the public domain. Illustrative journal entries with amounts from actual or simulated pension system reports may be the most useful to the practitioner.

4. Obtain an understanding of the note disclosures and required supplementary information (RSI) required by GASB 68. Again, LLA cannot recommend examples of illustrative note disclosures or RSI schedules, but examples are available on the internet.

5. If auditing a participating employer in a governmental cost-sharing multiple-employer pension plan, review the guidance in AU-C 9500.23-29 relative to the responsibilities of the auditor; if

auditing a participating employer in a governmental agent multiple employer plan, refer to AU-C 9500.30-36.

6. If local auditee personnel are unfamiliar with the standard, have a discussion with management about the effect implementation of GASB 68 will have on the agency's financial statements. GASB issued a plain language article in June 2012 titled *New GASB Pension Statements to Bring about Major Improvements in Financial Reporting*. This article is included in the GASB Toolkit referenced in (1), and may serve as a useful starting point for the discussion.

7. When auditing a nonprofit that reports on the FASB model and also participates in one of the state or statewide multiple employer pension systems, the CPA should refer to FASB ASC 715-80-35 and FASB ASC 715-80-50 for guidance in how the nonprofit agency should report its participation in the pension system.

### **INFORMATION TO KEEP IN MIND:**

All Louisiana state and statewide pension systems, with the exception of the Louisiana State Police Retirement System, are cost-sharing multiple employer systems.

All Louisiana cost-sharing multiple employer state and statewide pension systems issue audit reports, separate from the normal pension system audit reports, from which the amounts for beginning and ending net pension liabilities, deferred outflows, deferred inflows, pension expense, employer allocations, and information for note disclosures, for the system as a whole and for each participating employer may be obtained.

Links to these GASB 68 reports may be found on LLA's website<sup>4</sup>. All systems' audit and GASB 68 reports are also available on the LLA Audit Report Library<sup>56</sup>. Please note that these reports may not include all elements recommended by the AICPA, and the impact of changes in proportion or proportionate share of contributions may need to be manually calculated for participating employers.

**PLEASE NOTE THAT THE GUIDANCE LLA IS PROVIDING IS NOT AUTHORITATIVE, AND IS NOT INTENDED NOR DESIGNED TO REPLACE AUDITOR JUDGEMENT OR GUIDANCE FROM THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD. SPECIFIC CIRCUMSTANCES AND CONDITIONS MAY AFFECT AN AGENCY'S REPORTING FOR ITS PENSION LIABILITY.**

**IT IS ULTIMATELY THE RESPONSIBILITY OF THE AGENCY TO ENSURE THAT ITS FINANCIAL STATEMENTS ARE CORRECT; AND THE RESPONSIBILITY OF THE AGENCY'S AUDITOR TO DETERMINE THAT THE AGENCY'S FINANCIAL STATEMENTS ARE MATERIALLY CORRECT, OR TO APPROPRIATELY MODIFY THE OPINION.**

A CPA or local auditee that has questions regarding GASB 68 implementation may call LLA Local Government Services staff.<sup>6</sup>

## QUESTIONS:

**Q.** Why doesn't the Legislative Auditor provide its own illustrative GASB 68 journal entry for local auditees in Louisiana?

**A.** Providing an illustrative journal entry that would fit all local auditee participating employers in Louisiana state and statewide retirement systems is problematic because specific circumstances and conditions may affect a local auditee's reporting for its pension liability:

Some local auditees have employees that participate in different retirement systems. For example, some of a school board's employees may participate in the Teachers' Retirement System of Louisiana, and some of the same school board's employees may participate in the Louisiana School Employees' Retirement System. The GASB 68 journal entries for this school board must combine the calculations from both retirement systems' GASB 68 reports.

Adjustments need to be made if a local auditee's fiscal year end is different than the year end of the retirement system or systems in which their employees participate.

Although all of the state and statewide retirement systems in Louisiana provide reports with information that may be used for GASB 68 implementation, all systems do not provide the same types of information. Some of the journal entries for participating employers must be manually calculated based on information in the systems' GASB 68 report.

There are many illustrative journal entries available on the public domain that CPAs may find useful to determine if a local auditee correctly calculated their net pension liability and related deferred outflows, deferred inflows, and pension expense. LLA recommends that each practitioner find and use one that best suits their needs.

**Q.** Previous to implementing GASB 68, most of my local government clients were reporting a positive net position balance; since implementation, most are reporting deficits. Some of them are very upset about this. They are also upset about the additional cost to audit the GASB 68 calculations. They have asked me if they can opt out of implementing this standard. What are the consequences for a local government agency that chooses not to implement GASB 68?

**A.** Louisiana Revised Statute (R.S.) 24:514<sup>7</sup> requires the annual financial statements of local auditees that are provided to LLA to be prepared in accordance with generally accepted accounting principles (GAAP), with limited exceptions. Implementation of a standard that is complicated or causes a local auditee to report deficits is **not** one of these exceptions. If a local auditee chooses not to implement GASB 68 or any other applicable standard, the CPA performing the audit should

consider if the GAAP departure requires them to modify the auditor's opinion<sup>8</sup>. The CPA should also write a finding for the local auditee's noncompliance with R.S. 24:514. LLA will require the local auditee to implement the standard or standards for all future reports.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1120-retirement-systems>
2. <http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163527940>
3. <https://www.aicpastore.com/AuditAttest/EnhancingAuditQuality/state-and-local-governments---audit-and-accounting/PRDOVR~PC-012665/PC-012665.jsp>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1310-links-to-gasb-68-reports-for-louisiana-state-and-statewide-retirement-systems>
5. <https://lla.la.gov/go/AK2JGT>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
7. <http://legis.la.gov/Legis/Law.aspx?d=84131>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1160-types-of-auditors-opinions>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Allegations | Misappropriation Notices and Other LLA Notifications to CPAs ( 400-1190 )

#### 400-1195 Legislative Auditor's Policy Regarding Confidentiality of Audit/Engagement

Documentation<sup>1</sup>Allegations: Allegations relative to local government agencies and quasi-public organizations (local auditees<sup>2</sup>) come to the Louisiana Legislative Auditor (LLA) from several sources; by mail, email, phone, and through the Legislative Auditor Fraud Hotline<sup>3</sup>.

Allegations are either handled in-house by LLA staff, or are sent by email to the certified public accountants (CPAs) who perform the audit and review/attestation engagements for local auditees.

The email sent to the CPA includes the allegation and instructions on what the CPA needs to do to address the allegation; and the type of response LLA requires with respect to the allegation. The type of response required depends on whether LLA considers the allegation to be **high risk** or **low risk**.

For both **high risk** and **low risk** allegations, the email will ask the CPA to reply to the email stating that the CPA will, during the planning and performance of the engagement, in accordance with AU-C 240, *Government Auditing Standards*, and the *Louisiana Governmental Audit Guide* (for audit engagements):

Review the information in order to identify risks that may result in a material misstatement due to fraud

Assess the identified risks after taking into account an evaluation of the entity's programs and controls

Respond to the results of the assessment, and

Document their consideration of the information as it relates to risks that may result in a material misstatement due to fraud.

The CPA may send a response with the above affirmation immediately after receiving the email.

CPAs performing review/attestation engagements are asked to send a similar response stating that, during the planning and performance of the engagement, in accordance with *Government Auditing Standards* and the *Louisiana Governmental Audit Guide* they will:

Review the information in order to determine whether it indicates conditions that may result in a material misstatement of the financial statements due to fraud, and

Document their consideration of the information

An email with a **high risk** allegation attached also asks the CPA to notify the Engagement Manager<sup>4</sup> by email if the CPA finds the allegation does not have merit or does not indicate a deficiency in internal control. Because of the nature of a high risk allegation, this notification is **mandatory**. LLA will not issue the report if the report does not include a finding related to the allegation, or the Engagement Manager has not received the CPA's notification that the allegation did not have merit.

Allegation emails include the telephone number of the Director of Investigative Audit in the event the CPA would like to discuss fraud-related matters or becomes aware of other illegal acts or violations of law.

In order to protect the confidentiality of personal identifying information, the CPA is instructed to delete any attachments when responding to the email. It is especially important to maintain confidentiality regarding the name of the person who made the allegation, if this information is included in the email that was sent to the CPA.

**Misappropriation notices:** Misappropriation notices are notifications sent to LLA by local auditees to notify LLA that there has been a misappropriation of the public funds or assets within the agency, as required by the audit law<sup>5</sup> (Louisiana Revised Statute (R.S.) 24:523<sup>6</sup>). Misappropriation notices are forwarded to the CPAs performing the related engagements, in a manner similar to allegations. The CPA is not required to respond to a misappropriation notice, but as stated in the email, is expected to include any misappropriation that is \$1,000 or greater in a finding in the related report. See Special Reporting – Fraud and Misappropriations<sup>7</sup>.

**Other information:** Other information regarding specific engagements is sent to CPAs, including requests to review bond millage rates, notification of ongoing LLA investigations, and completed LLA investigative audit reports. The related emails notify the CPA how the information is to be treated for the purposes of the engagement.

**Confidentiality of information sent to CPAs by LLA:** Allegations, misappropriation notices, LLA workpapers and audit documentation, and other information that is sent to the CPA by LLA (except for reports that have been issued by LLA) is considered by law (R.S. 24:513 I.<sup>8</sup> and 44:4 (6)<sup>9</sup>) to be confidential information.

A CPA firm must contact and obtain the express permission of LLA prior to giving access to this information to anyone outside of their firm. LLA will permit access to this information only upon

receipt of a valid confidentiality agreement or a subpoena.

In accordance with state law and professional standards, the CPA may share audit/engagement documentation, without prior approval of LLA, with the successor auditor; or any committee, individual, or organization of the Louisiana Board of Certified Public accountants authorized to perform quality assurance engagement reviews.

For additional information, see Legislative Auditor's Policy Regarding Confidentiality of Audit/Engagement Documentation.

## **QUESTIONS:**

**Q.** How does a CPA address an allegation with a local auditee if it is considered to be confidential information?

**A.** The CPA should first try to address the allegation through their normal audit procedures. For example, if the allegation pertains to the pay a specific employee receives, the CPA would include that employee in their test of payroll. If the allegation does not lend itself to resolution through normal audit procedures, the CPA may address the matter with an appropriate person within the agency – ideally, with a person at least one supervisory level above the employee who is the subject of the allegation.

No matter how the CPA chooses to address the allegation, the CPA should not disclose the name of the person who made the allegation to LLA.

If the CPA is uncertain as to how the allegation should be addressed, the CPA should call the Director of Investigative Audit at (225) 339-3800 for guidance.

**Q.** I received a subpoena for a local auditee engagement's workpapers. How should I proceed?

**A.** Please call LLA's legal counsel at (225) 339-3800 for guidance.

**Q.** Does LLA send allegations to CPAs who are performing compilation engagements?

**A.** Because of the limited scope of compilation engagements, LLA sends misappropriation notices and general information, but not allegations or bond millage information, to CPAs performing these engagements.

**Q.** I received a low-risk allegation from LLA regarding a local auditee. The allegation is very vague, and I don't think it has merit. How should I address it?

**A.** The CPA should follow the instructions in the email from LLA that accompanied the allegation. After the CPA has provided the initial response to LLA that he or she will consider the information as required by AU-C 240, Government Auditing Standards, and the Louisiana Governmental Audit

Guide, and has documented the planned response to the assessed risk, no further action is required of the CPA, unless he or she finds that the allegation has merit, or unless further instructed by LLA.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1195-legislative-auditors-policy-regarding-confidentiality-of-audit-engagement-documentation>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1070-legislative-auditor-fraud-hotline>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
6. <http://legis.la.gov/Legis/Law.aspx?d=84144>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1080-special-reporting-fraud-and-misappropriations>
8. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
9. <http://www.legis.la.gov/Legis/Law.aspx?d=99718>

*NB: This document is the current version as of 04-11-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Legislative Auditor's Policy Regarding Confidentiality of Audit/Engagement Documentation ( 400-1195 )

The Legislative Auditor's policy regarding the confidentiality of audit/engagement documentation is as follows:

**State ACFR Entities** The audit/engagement documentation of a CPA performing an engagement of an entity that is included in the state of Louisiana's Annual Comprehensive Financial Report (ACFR) is considered to be confidential by law (Louisiana Revised Statute (R.S.) 24:513 I.<sup>1</sup> and 44:4 (6)<sup>2</sup>)

A CPA performing an ACFR engagement must contact and obtain the express permission of the Legislative Auditor prior to giving access to audit/engagement documentation. Audit/engagement documentation for ACFR entity engagements shall be released only upon receipt of a valid confidentiality agreement or a subpoena.

In accordance with state law and professional standards, the CPA may share audit/engagement documentation of an ACFR entity with any committee, individual, or organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance engagement reviews, and any successor auditors, without prior approval of the Legislative Auditor.

**Local Auditees** It is the responsibility of a CPA performing a local government or quasi-public organization (local auditee) engagement to determine whether they will provide audit/engagement documentation to the client or any third party. The CPA may share audit engagement documentation with the client or any third party without prior approval of the Legislative Auditor **with the exception of the documents noted in the paragraph below.**

Allegations, misappropriations, and other information<sup>3</sup> sent by the Legislative Auditor to a CPA performing a local auditee engagement, and the related audit/engagement documentation, are considered to be confidential by law (R.S. 24:513 I.<sup>4</sup> and 44:4 (6)<sup>2</sup>). The CPA must contact and obtain the express permission of the Legislative Auditor prior to giving access to such audit/engagement documentation. Such audit/engagement documentation shall be released only upon receipt of a valid confidentiality agreement or a subpoena.

In accordance with state law and professional standards, the CPA may share audit/engagement documentation with any committee, individual, or organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance engagement reviews, and any successor auditors, without prior approval of the Legislative Auditor. Access to all audit/engagement documentation shall be made to the previously named individuals and organizations within two weeks of the request at no charge, exclusive of direct expenses of the access, such as reproduction costs or other granted privileges. Any deviation from this requirement shall be reported to the Legislative Auditor. When such deviations, in the judgment of the Legislative Auditor, serve to hinder the governmental audit process, the Legislative Auditor may, without liability, take possession of all audit/engagement documentation and make it available to the requesting individuals or organizations.

The Legislative Auditor may cancel existing engagement agreements and/or refuse to approve future engagement agreements of any CPA failing to follow the provisions of this section.

Audit/engagement documentation should be retained for a minimum of five years.

## **QUESTIONS:**

**Q.** I performed a compilation for a state ACFR entity. I received a subpoena for the workpapers. How do I proceed?

**A.** Please call LLA's legal counsel at (225) 339-3800 for guidance.

**Q.** I performed an audit for a local auditee. I received a subpoena for the workpapers. I am not sure what information I am legally required to provide. Can someone at the Legislative Auditor's office help me?

**A.** Please call LLA's legal counsel at (225) 339-3800 for guidance.

**Q.** How does a CPA address an allegation with a local auditee if it is considered to be confidential information?

**A.** The CPA should first try to address the allegation through their normal audit procedures. For example, if the allegation pertains to the pay a specific employee receives, the CPA would include that employee in their test of payroll.

If the allegation does not lend itself to resolution through normal audit procedures, the CPA may address the matter with an appropriate person with the agency – ideally, with a person at least one supervisory level above the employee who is the subject of the allegation.

No matter how the CPA chooses to address the allegation, the CPA **should not** disclose the name

of the person who made the allegation to LLA.

If the CPA is uncertain as to how the allegation should be addressed, the CPA should call the Director of Investigative Audit at (225) 339-3800 for guidance.

**Links:**

1. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=99718>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1190-allegations-misappropriation-notice-and-other-lla-notifications-to-cpas>
4. <https://www.legis.la.gov/Legis/Law.aspx?d=84127>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Schedules Of Current And Prior Year Findings And The Management Letter ( 400-1200 )

The majority of the audit reports that are submitted to the Louisiana Legislative Auditor (LLA) are performed in accordance with generally accepted government auditing standards<sup>1</sup>, promulgated by the Government Accountability Office in the publication *Government Auditing Standards* (also referred to as the Yellow Book)<sup>2</sup>.

Generally accepted government auditing standards or GAGAS establish requirements for performing financial audits over and above the requirements contained in generally accepted auditing standards<sup>1</sup>. GAGAS requires auditors to communicate the following in the report on internal control over financial reporting and compliance:

Significant deficiencies and material weaknesses in internal control over financial reporting  
Noncompliance with provisions of laws, regulations, contracts, or grant agreements that has a material effect on the financial statements or other financial data significant to the audit objectives  
Fraud that is material, either quantitatively or qualitatively, to the financial statements or other financial data significant to the audit objectives

Findings relative to these matters are referenced by finding number in the *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* (the Yellow Book report). The findings are developed in accordance with the **required elements of a finding** (found in Sections 6.17 - 6.18 and 6.57 - 6.60 of the Yellow Book<sup>2</sup>) and reported in the schedule of current year findings, which is a document that is prepared by the auditor. For additional information, see Writing Findings<sup>3</sup>.

Section 6.11 of the Yellow Book<sup>2</sup> requires the auditor to evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a significant effect on the subject matter. Auditors should use this information in assessing risk and determining the nature, timing, and extent of the current audit work and determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.

This means that the auditor needs to obtain the schedule of prior year findings – a document that is prepared by the agency and that should contain the current status of the prior year findings – and

review it to determine if the prior year findings have been corrected. Findings that have not been corrected should be repeated in the current year Yellow Book report and brought forward to the schedule of current year findings. **If a local auditee's<sup>4</sup> report included a schedule of current year findings, LLA expects to see the status of these findings reported in the subsequent year's report in a schedule of prior year findings.**

The report on internal control over financial reporting and compliance differentiates between deficiencies, significant deficiencies, and material weaknesses in internal control over financial reporting. Significant deficiencies and material weaknesses are required by GAGAS to be reported in the Yellow Book report.

Deficiencies in internal control and immaterial matters of noncompliance with provisions of laws, regulations, contracts or grant agreements should be reported to management if the auditor feels that they warrant the attention of those charged with governance. The vehicle that many auditors use to report these deficiencies to management is the management letter. This is a separate, generally less formal document than the Yellow Book report. **If a management letter was issued in connection with an audit that is submitted to LLA, LLA expects to see the management letter included in the audit report that is submitted to LLA; with management's plan of corrective action.**

Any matters of noncompliance, or significant deficiencies or material weaknesses in internal control over compliance reported in the *Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance* (the Single Audit report) should be included in a document called the schedule of findings and questioned costs, which is similar to the schedule of findings in a Yellow Book audit. The schedule of prior year findings should similarly address any findings in the prior year Single Audit report.

## **QUESTIONS:**

**Q.** If a condition comes to the attention of the CPA during a review/attestation or compilation engagement that would be considered a significant deficiency, material weakness, or a matter of material noncompliance during a Yellow Book audit, does LLA expect to see the matter reported in the review/attestation or compilation report?

**A.** If a review/attestation or compilation report is not submitted to LLA by the statutory due date, the CPA is expected to include a finding for the matter of noncompliance in the report. LLA also expects to see instances of fraud and misappropriations reported in review/attestation and compilation reports, if detected by the CPA during the engagement.

The CPA should refer to Chapter 7 of *Government Auditing Standards*<sup>2</sup> for their responsibilities regarding the reporting of significant deficiencies and matters of noncompliance in a review/attestation engagement.

**Q.** If a local auditee's prior year report included a management letter, does LLA expect to see the status of these management letter comments reported in the subsequent year's report in a document similar to the schedule of prior year findings?

**A.** Yes.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1050-auditing-standards-and-the-difference-between-gaap-gaas-and-gagas>
2. <https://www.gao.gov/assets/gao-18-568g.pdf>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1210-writing-findings>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Writing Findings ( 400-1210 )

The majority of the audit reports that are submitted to the Louisiana Legislative Auditor (LLA) are performed in accordance with generally accepted government auditing standards<sup>1</sup>, promulgated by the Government Accountability Office in the publication *Government Auditing Standards* (also referred to as the Yellow Book)<sup>2</sup>.

GAGAS establishes requirements for performing financial audits over and above the requirements contained in auditing standards promulgated by the AICPA. GAGAS requires auditors to communicate the following in the report on internal control over financial reporting and compliance:

- Significant deficiencies and material weaknesses in internal control over financial reporting
- Noncompliance with provisions of laws, regulations, contracts or grant agreements that has a material effect on the financial statements or other financial data significant to the audit objectives
- Fraud that is material, either quantitatively or qualitatively, to the financial statements or other financial data significant to the audit objectives

Findings relative to these matters are referenced by finding number in the report on internal control over financial reporting and compliance (the Yellow Book report). The findings are developed in accordance with the **required elements of a finding** (found in Section 6.17 - 6.18 and 6.57 - 6.60 of the Yellow Book<sup>2</sup>) in the schedule of current year findings prepared by the auditor.

An auditor does not need an English degree to write a finding, but a well written finding takes time, effort, and organizational skills. An auditor should review Sections 6.17 through 6.18 of the Yellow Book<sup>2</sup> for the **required elements of a finding**. The elements include:

**Condition** - the situation that exists. Or, **what happened?**

**Criteria** – the standard that the condition violates – a law, regulation, contract, grant agreement, common business practice, etc. Or, **why is the condition a problem?**

**Cause** – the reason or explanation given by the local auditee that the condition exists. Or, **why does the condition exist?**

**Effect** – the impact of the condition. Or, **what has happened, or what could happen, because**

## **the condition exists?**

Section 6.57 of the Yellow Book<sup>2</sup> requires the auditor to obtain and report the views of responsible officials in the audit report, as well as any planned corrective actions. Section 6.58 - 6.60<sup>2</sup> gives additional information pertaining to the reviews of the responsible officials and the plan of corrective action.

LLA reviewers have noticed certain common deficiencies in findings written by CPAs performing local auditee engagements<sup>3</sup>:

Findings that contain so little information that it is difficult for the user to determine what the condition is (or what happened). This is common in findings that report fraud or misappropriations, especially when the CPA is concerned about possible legal ramifications of reporting fraud in a finding.

Comprehensive findings are written that combine multiple, unrelated conditions. These are sometimes written in a rambling, ad hoc style of writing that obscures the elements of a finding required by the Yellow Book. Writing findings in this manner may be easier for the CPA, but such findings are very difficult for the user to read and comprehend.

Several findings are written for a single condition or program that would be more meaningful if they were consolidated into one well-thought-out, comprehensive finding. Although it would appear that this is a better alternative than the previous example, a report that includes (for example) twenty findings that could have been consolidated into five findings may cause the user to conclude that the number of findings is not as indicative of problems within the agency as it is of the CPA's style of writing.

Confusing or inconsistent naming or numbering conventions are used. Finding names are missing or are identical. Findings in the schedule of current year findings that are repeated from the prior year use the prior year finding numbering convention and not the current year numbering convention.

Some recommendations for writing findings –

CPAs that are concerned about the legal ramifications of reporting conditions such as fraud or other matters should remember that there is safety in sticking to the facts. CPAs are not asked to give their opinion regarding the possible disposition of unresolved matters, legal matters, or fraud or misappropriations reported in a finding. In reporting conditions in which the resolution is unclear, the CPA may use a phrase such as “this matter may be a violation of the law,” and recommend that management follow up in an appropriate manner. If legal action has been taken regarding a fraud or misappropriation and the perpetrator's name is a matter of public record, LLA expects it to be

reported. Otherwise, the person's name does not need to be included in the finding.

CPAs should practice a clear, concise style of writing that states the facts without obscuring them with unnecessary or redundant information.

CPAs should consider combining findings for like conditions or programs into one comprehensive finding.

Every finding should have a unique name.

The numbering convention for current and prior year findings should include a reference to the applicable year and the number of the finding. If a prior year finding is not resolved and is included in the schedule of current year findings, it should be included twice in the current year report; in the schedule of prior year findings with the same finding number as it had in the prior year; and in the schedule of current year findings with the numbering convention for the current year.

For example, a local auditee had one finding (2016-001) in its 2016 report. Finding # 2016-001 was not resolved in 2017; and it was also the only finding for 2017. The finding will appear twice in the 2017 report; in the schedule of current year findings as finding # 2017-001; and in the schedule of prior year findings as finding # 2016-001.

If the finding is also reported in the 2018 report, it would also appear twice in the 2018 report; in the schedule of current year findings as # 2018-001, and in the schedule of prior year findings as # 2017-001. There should be no reference to finding # 2016-001 in the 2018 report; but the findings should state how long the condition has been reported.

CPAs should consider developing a template for their firm's findings that incorporates all elements of a finding required by the Yellow Book. The template may be in narrative or in tabular format.

In 2016 LLA began requiring CPAs to enter findings in a database at the same time a report is submitted through the website portal (see

Submitting a Report to the Legislative Auditor<sup>4</sup>). The template that is used for entering findings in the database is based on Yellow Book requirements, and may be used by a CPA firm to develop a template to be used for presenting findings in audit reports.

- CPAs who are struggling with a finding will find a wealth of examples in the LLA and CPA reports that have been issued by LLA and are available in the audit report library<sup>5</sup> on LLA's website.

- CPAs should consider asking another CPA to review findings in a report before the report is finalized.

- CPAs should discuss each finding with the auditee to make sure the auditee understands the reason the finding was written, and what the auditee must do to correct the condition that led to the finding.

CPA firms may contact LLA <sup>6</sup>for assistance in developing strong findings that will help foster positive change in local auditee practices. However, the CPA is ultimately responsible for the work

performed on his or her audit and attest engagements, and should first rely on their own judgment in the development of any findings related to these engagements.

CPAs spend a great deal of time and effort in gathering the information that will be included as findings in their reports. They should spend equal effort in developing a consistent manner of presenting these findings so that report users will get the information from the findings that the firm is intending to convey.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1050-auditing-standards-and-the-difference-between-gaap-gaas-and-gagas>
2. <https://www.gao.gov/assets/gao-18-568g.pdf>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1230-submitting-a-report-to-the-legislative-auditor>
5. <https://lla.la.gov/reports/audit-reports>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### What A CPA Should Do If They Find Fraud ( 400-1220 )

A certified public accountant (CPA) is required by generally accepted auditing standards to plan and perform their audit to obtain reasonable (but not absolute) assurance that a local auditee's<sup>1</sup> financial statements are free of material misstatement, whether caused by error or fraud.

What does a CPA do when they find fraud while performing an audit, review/attestation, or compilation engagement for a local auditee?

1. The CPA should ensure that the agency head has sent a written notification regarding the fraud to the Louisiana Legislative Auditor (LLA) and the District Attorney in the parish in which the agency is domiciled, if required to do so by Louisiana Revised Statute (R.S.) 24:523<sup>2</sup>. If the local auditee has not sent the required notification, or if the CPA cannot confirm that notification has been sent, the CPA should include a finding in the local auditee's report for the matter of noncompliance with R.S. 24:523<sup>2</sup>. For additional information, see Reporting Fraud to the Legislative Auditor<sup>3</sup>.
2. If the local auditee is not required by R.S. 24:523<sup>2</sup> to notify LLA of the fraud or misappropriation, the CPA should advise the local auditee to do so anyway. If the local auditee chooses not to notify LLA, the CPA should notify LLA of the misappropriation.
3. The CPA should advise the local auditee to contact the appropriate law enforcement agency, which may be the local police department, the parish sheriff, or state police.
4. The CPA should advise the local auditee to contact their legal counsel to determine the action that should be taken regarding the person believed to have perpetrated the fraud or misappropriation, if known.
5. The CPA should determine what tests need to be performed regarding the fraud or misappropriation, and how the fraud or misappropriation should be reported in the related audit (or review/attestation or compilation) report. They may wish to consult with LLA's Director of Investigative Audit and/or Director of Local Government Services<sup>4</sup> for guidance. See also Special Reporting – Fraud and Misappropriations<sup>5</sup>.
6. If the CPA feels that the fraud or misappropriation is an indication that the local auditee's financial statements may be materially misstated, he or she should consider modifying his or her opinion, or withdrawing from the engagement. See Cancelling An Engagement<sup>6</sup>.

#### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>

2. <http://legis.la.gov/Legis/Law.aspx?d=84144>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1260-reporting-fraud-to-the-legislative-auditor>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1080-special-reporting-fraud-and-misappropriations>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1140-cancelling-an-engagement>

*NB: This document is the current version as of 04-13-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Submitting A Report To The Legislative Auditor ( 400-1230 )

Most audit, review/attestation, compilation, and other local auditee<sup>1</sup> reports that are submitted to the Louisiana Legislative Auditor (LLA) are submitted through a web-based portal on the LLA website that is called the **Local Government Reporting System**.

Audit, review/attestation, and compilation reports are due six months after the local auditee’s fiscal year end. If the due date of a report falls on a weekend or a state holiday, or on a day that LLA is closed due to inclement weather or other reasons, the report is due on the next business day.

Each certified public accountant (CPA) that is named as a contact for an approved CPA firm is assigned a user name and password that will allow them to access the web portal and submit reports and related information through the Local Government Reporting System.

Once the CPA is logged into the Local Government Reporting System<sup>2</sup>, they will:

- 1. Click on the “Engagement Services” tab
- 2. Choose the appropriate engagement from the list
- 3. If the report is for a local government agency<sup>3</sup>, the CPA will click on the Excel file named “Financial Indicators Worksheet (FIW)” and save the worksheet to their personal computer. This worksheet includes certain data elements from the financial statements that will be entered into the worksheet by the CPA. The CPA will complete the worksheet and will upload the file to the portal in step 5.
- 4. The CPA will enter certain information about any findings in the report by clicking on “Add Finding”:

Finding classification (material weakness, significant deficiency, instance of noncompliance, fraud or misappropriation, Single Audit finding, management letter comment)

Finding number

Finding type (options will appear in a drop-down box)

Finding title

Resolution (resolved, not resolved, partially resolved)

Financial impact of finding (greater than or equal to \$150,000; or less than \$150,000)

Whether the finding is with cause (resolution of finding is not under the control of the agency and/or would not be cost effective) or without cause (resolution of finding is under the control of the agency and would be cost effective)

The number of years (up to four) a finding has been reported

The elements of the finding, based upon Section 6.17 and 6.57 of *Government Auditing Standards*<sup>4</sup>(criteria, condition, cause, effect), the CPA's recommendation, and management's response. The CPA will then click on "Save," and repeat this process for each finding and management letter comment in the report. The CPA will have the option to indicate that there are no findings or management letter comments in a report later in the report submission process.

5. The CPA will upload the report, the FIW (if applicable), and other documents related to the report by clicking on "Add File" in the upper right hand corner of the screen. A screen will appear that prompts the CPA to indicate the type of file that will be attached. After attaching the file, the CPA will be prompted to click on "Save/Upload More Files;" or "Save/Close." After all of the files related to a report have been attached, the CPA will click on "Save/Close" and "Submit."

6. A screen will appear that prompts the CPA to confirm that the findings in the report have been entered, or that there are no findings in the report. The CPA will click on "OK" to confirm or "Cancel" to enter additional findings. After the information has been entered, the CPA will click "Submit."

7. The CPA will be prompted to enter certain information about the report in general, including the type of opinion rendered; whether there are certain types of findings in the report, such as those reporting fraud or misappropriations, and whether the agency is reporting a going concern condition or deficits. After entering the information, the CPA will click "Submit."

8. After all information and files related to a report have been entered and attached, the CPA will click on "submit" one more time to transmit the report to LLA.

9. A confirmation will be sent to the CPA by email indicating that data for the engagement has been submitted.

Problems in submitting reports and other information should be referred to the Engagement Manager<sup>5</sup>.

## **QUESTIONS:**

**Q.** Must a report be submitted by a specific time on the statutory due date to avoid a late report finding?

**A.** Reports that are submitted to LLA by 11:59 p.m. on the statutory due date (or on the next business day if the due date falls on a weekend, state holiday, or day that LLA is closed due to other reasons) are not required to include a late report finding.

**Q.** I am a CPA who has completed an audit report; but the due date of the report is still two months away. May I submit the report to LLA that far ahead of the due date?

**A.** LLA will not only accept early submission of reports, but encourages CPAs to submit reports as soon as they are completed.

**Q.** I am a CPA who has completed an audit report. The report has been reviewed and accepted by the board chairman and the chief financial officer, but the report has not been presented to the board in a public meeting. May I submit an audit report to LLA that has not been accepted by the governing board?

**A.** It is advisable for the CPA to present a draft copy of an audit report to the local auditee's governing board as a courtesy prior to submitting the report to LLA. However, it is not required. It also may not be practical because the board may not have a meeting scheduled between the completion of the audit engagement and the due date of the report. An appointed agency representative, such as the board chairman, chief executive officer, or the chief financial officer should sign off on the audit report before it is submitted to LLA; but it is not necessary that the report be approved by the board prior to submission.

Reports submitted to LLA are subject to revision until they are issued as public documents on the LLA website. Therefore, if the CPA does present an audit report to the local auditee's governing board before the report is submitted to or issued by LLA, it is recommended that the CPA place a "draft" watermark on each page of the report; and collect any copies of the audit report that were distributed to the board at the end of the meeting. It is also recommended that the CPA inform the local auditee that the report is subject to revision until it is issued by LLA.

**Q.** I am a new contact person for an approved CPA firm. When will I receive my user name and password to be able to submit reports through the web portal?

**A.** You should receive your user name and password within a few days after you are set up as a contact for the CPA firm. If you do not, please call LLA's Engagement Manager.<sup>5</sup>

**Q.** How do I retrieve a lost user name and password?

**A.** Call LLA's HelpDesk at (225) 339-3800.

**Q.** Can the local auditee submit their report through the portal if I give them my user name and password?

**A.** LLA asks CPAs to not share their user names and passwords with local auditees. LLA prefers that CPAs submit reports because CPAs are less likely to submit reports that have not been finalized. LLA assumes that any report submitted through the portal is submitted by a CPA, and is complete and ready to be issued when it is submitted. A local auditee that has access to the CPA's login information may, for example, submit an incomplete or draft report through the portal; and LLA may issue the report as a public document before the error is noted.

**Q.** I am a CPA. An audit report I have been working on is complete except for the Single Audit report. May I submit the report to LLA without the Single Audit report, and then submit the Single Audit report to LLA when it is complete?

**A.** Generally, LLA expects reports to be **complete** and ready to be issued when they are submitted through the portal, and does not allow submission of a report through the portal that is not complete

and does not have all of its required components.

An exception is made if a local auditee's audit report is ready to be submitted to LLA, but because of delays in federal guidance related to the expenditure of federal funds the local auditee has received, the Single Audit will be delayed. If a local auditee wishes to submit their audit report to LLA without the Single Audit report due to a delay in federal guidance, the local auditee or the CPA must notify LLA through the extension request form on LLA's website before the due date of the audit report. A full explanation of the reason for the delay of the Single Audit report must accompany the request, and the request must plainly state that the extension is for the Single Audit report only, not the audit report, the statewide agreed-upon procedures report<sup>6</sup>, the school board/charter school performance measures agreed-upon procedures report,<sup>7</sup> or any other report that is required by Louisiana statute or LLA policy.

Upon receipt of the original audit report and other reports required by Louisiana statute or LLA policy, LLA will review and issue the report package as a public document. If the extension is approved by LLA and the audit report and other required reports except the Single Audit are submitted to LLA by the statutory due date, no late report finding is required to be included in the audit report or the Single Audit report.

When the local auditee's Single Audit report is complete the CPA will submit a revised report package to [ereports@lla.la.gov](mailto:ereports@lla.la.gov) that includes the Single Audit report, the original audit report and any other reports that were originally submitted to LLA, and a letter prepared on the letterhead of either the local auditee or the CPA firm stating that the original report package that was submitted to LLA has been revised to include the Single Audit report. The letter will be issued with the audit report and the Single Audit report, as the first page of the report package.

The auditor should review and follow the guidance in AU-C Section 560.13 (AU-C 560A.11 - A.17) to determine whether it is necessary to dual date the auditor's opinion in the revised report package; and AU-C Sections 560.15 - 18 (AU-C 560A.18 - A.26) regarding notification to the parties to whom the original audit report was distributed.

CPA firms also have the option, with the agreement of the local auditee, of performing the Single Audit with the existing federal guidance and submitting the audit report and the Single Audit report to LLA by the state statutory deadline; with the understanding that the report may need to be revised if the new federal guidance is materially different from the guidance under which the audit was performed.

**Q.** The audit report is finished, but management has not responded to the findings. Should I submit the report anyway?

**A.** LLA expects reports to be **complete** and ready to be issued when they are submitted through the portal. LLA requires management's response be included with any finding or management letter comment. **Do not** submit a report through the portal that is not complete and does not have all of its required components.

**Q.** Is the management letter submitted with the report or in a separate document?

**A.** If a management letter is issued in connection with an audit report, it is expected to be submitted with the audit report, in the same document as the report.

**Q.** Are there any reports that are not submitted through the portal?

**A.** Any report for which an engagement was not approved (such as a university foundation report) is submitted through [ereports@lla.la.gov](mailto:ereports@lla.la.gov). See also Special Reporting – College and University Foundations, Alumni Associations, and Building Corporations<sup>9</sup>.

**Q.** Are revised reports submitted through the portal?

**A.** A revised report may be submitted through the portal if the originally submitted report has not been issued by LLA. You must first call LLA's Engagement Manager<sup>5</sup> to determine the status of the report, and so that the report may be put on hold. If a report has been issued by LLA, the revised report must be submitted through [ereports@lla.la.gov](mailto:ereports@lla.la.gov), with a cover letter explaining the reason for the revision. See also Reissued Reports<sup>10</sup>.

**Q.** I am in the portal and I don't see the engagement for the report I am trying to submit. What should I do?

**A.** Call LLA's Engagement Manager.<sup>5</sup> It may be that there is a problem with the engagement approval that needs to be addressed on LLA's end, or it may be that the engagement agreement was never submitted by the CPA.

**Q.** What is the purpose of the CPA's entering financial information into the FIW, information regarding findings, and information such as the type of opinion rendered, into the portal?

**A.** The FIW was developed to allow LLA to capture certain information about local auditees for the purpose of identifying those entities that are experiencing financial distress.

The purpose of entering information into the portal regarding findings is to facilitate the reporting of unresolved findings required by Louisiana Revised Statute 24:554 (B). This law allows the Legislative Audit Advisory Council (LAAC) to direct the state treasurer to withhold funds from any local auditee that has failed for three consecutive years, and without appropriate cause, to resolve the findings contained in the local auditee's annual financial report. See also Unresolved Findings and the Three Strikes Rule<sup>11</sup>.

The other information about reports, such as the type of opinion rendered, is used by LLA staff to identify reports that have certain conditions in them, such as a modified opinion or a going concern

condition, that require special handling during report review. Reports that do not have these conditions undergo an expedited report review. This information was formerly reported to LLA on the data collection form submitted with each report. The state data collection form is no longer submitted with the report; the information is now entered into a form on the portal in lieu of the data collection form.

**Q.** If a local auditee expended federal funds and is required to submit the federal data collection form to the federal government, must the federal data collection form be submitted with the report to LLA?

**A.** No. Neither the former state data collection form, nor the current federal data collection form, should be submitted to LLA when a report is submitted through the portal.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://app.lla.state.la.us/ewsdataentry.nsf/home.xsp>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1080-reporting-for-local-governments>
4. <https://www.gao.gov/assets/gao-18-568g.pdf>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1127-special-reporting-statewide-agreed-upon-procedures-engagements>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1120-special-reporting-school-board-performance-measures-and-agreed-upon-procedures-report>
8. <mailto:ereports@lla.la.gov>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1050-special-reporting-college-and-university-foundations-alumni-associations-and-building-corporations>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1270-reissued-reports>
11. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1280-unresolved-findings-and-the-three-strikes-rule>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Legislative Auditor Report Review ( 400-1240 )

What happens after the Louisiana Legislative Auditor (LLA) receives a report?

When local auditee<sup>1</sup> reports are received through the web portal (see Submitting a Report to the Legislative Auditor<sup>2</sup>), they undergo a preliminary administrative review. The administrative review determines, for example, that the report that was submitted was for the correct engagement, and that another document was not submitted in error in the place of the report.

After the report has undergone the administrative review it goes into the part of the portal where it may be retrieved by an LLA report reviewer. Based on the information entered by the certified public accountant (CPA) when the report was submitted, or other matters identified by LLA, the report may undergo an expedited review, or it may undergo a more thorough review.

If there are no pending items, such as allegations<sup>3</sup> for which the CPA has not responded, or fraud or misappropriations<sup>4</sup> that have not been included in the report, the report review is finalized and the report issued.

LLA will contact the CPA if there are questions about a report, or if a report needs to be revised. CPAs should respond to LLA within five working days on any request for additional information or a report revision.

#### **QUESTIONS:**

**Q.** How long, generally, does it take LLA to issue a report after it is received?

**A.** LLA strives to issue reports as soon as possible after receipt, but the time frame for issuance is generally dependent upon volume of reports received at any given time; and is specifically dependent upon any pending items relative to the individual report.

**Q.** What is the timetable for reports to be issued after the review is finalized; and when does LLA issue them as public documents?

**A.** Reports for which the review has been finalized are issued every Wednesday, and become public documents on LLA's website in the Audit Report Library<sup>5</sup> the following Monday.

**Q.** I have submitted a report to LLA, but it has not been issued as a public document. The local auditee is asking me to submit the report to the Federal Clearinghouse. May I do so?

**A.** LLA cautions all CPAs to remember that a report that is submitted to LLA is subject to revision

until it is issued as a public document by LLA. LLA advises CPAs to mark each page of unissued reports that are provided to the local auditee, or parties other than LLA, with a “Draft” watermark or other notification on each page of the report that it has not been finalized.

If LLA requires a report to be revised, and that report has already been distributed to third parties by the CPA or the local auditee, the CPA must follow the guidance in AU-C Sections 560.15 - .18 and 560 A.18 – 26 (for audit engagements) or AT-C Sections 210.A. 41 – 42 (for review engagements) regarding notification to the parties to whom the report has been distributed. See also Reissued Reports<sup>6</sup>.

A CPA may call the Engagement Manager<sup>7</sup> and request that a specific report be reviewed and issued as soon as possible. LLA will accommodate the request if feasible.

**Q.** May I, as a CPA, consider LLA’s review to be part of my firm’s system of quality control?

**A.** It is each CPA firm’s responsibility to ensure that the reports it submits to LLA are ready to be issued, without significant revisions. The review LLA performs on the local auditee reports should not be considered part of a CPA firm’s system of quality control.

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1230-submitting-a-report-to-the-legislative-auditor>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1190-allegations-misappropriation-notices-and-other-lla-notifications-to-cpas>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1080-special-reporting-fraud-and-misappropriations>
5. <https://lla.la.gov/reports/audit-reports>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1270-reissued-reports>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 08-17-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Common Audit Deficiencies ( 400-1250 )

The Louisiana Legislative Auditor (LLA) issues over 2,000 local auditee<sup>1</sup> audit reports each year. Each report is issued as the result of an audit engagement performed by a certified public accounting (CPA) firm that has been approved by LLA.

As part of its monitoring activities of CPAs' work, LLA performs quality control reviews (QCRs) of selected engagements. LLA has found these common deficiencies in audit engagements in its QCRs:

The CPA failed to gain an understanding of the local auditee and its environment, especially its internal controls.

The CPA failed to consider the integrity of a local auditee's management and/or the risk that management would override normally adequate controls.

The CPA failed to assess the risk of material misstatement, particularly regarding the completeness of revenue, at the overall financial statement and relevant assertion level.

The CPA failed to respond appropriately to identified risks, such as the poor controls over monies that flowed through a local auditee's fiduciary funds that made them susceptible to misappropriation.

The CPA failed to report conditions that should be considered significant deficiencies or material weaknesses in internal controls over financial reporting, such as poor segregation of duties, or failure of the local auditee to timely reconcile its bank accounts.

Any of the above deficiencies could cause an auditor to fail to detect fraud, waste or abuse; or to appropriately modify his or her opinion when an entity's financial statements are materially misstated.

To prevent this from occurring, CPAs should be familiar with generally accepted government auditing standards before performing any audit engagement for LLA (See Auditing Standards and the Difference Between GAAP, GAAS and GAGAS<sup>2</sup>). LLA also recommends the following:

The CPA must gain an understanding of the local auditee and its environment, especially its internal controls, through inquiry, analytical procedures, observation and inspection. A CPA can't audit what he or she doesn't understand.

The CPA should consider and appropriately respond to risks related to noncompliance, particularly due to fraud or misappropriation (including any allegations or other information sent to the CPA by

LLA) in its fraud risk assessment, as required by AU-C 240. See Allegations, Misappropriation Notices, and Other LLA Notifications to CPA<sup>3</sup>.

The CPA should meet in person with the local auditee's management at the beginning of each engagement to discuss the engagement agreement and other issues. A phone call or email is not a substitute for a face-to-face meeting.

The CPA should expect to spend time on site with the local auditee's management to perform certain audit procedures, especially inquiries, observations and inspections.

The CPA should consider qualitative as well as quantitative factors in his or her risk assessment when setting materiality; and determine whether lower levels of materiality should be used for certain account balances or relevant assertions.

The CPA should not only test whether controls have been effectively designed, but that they also have been implemented by the local auditee.

Some local governments process a significant amount of money through their fiduciary funds. There is often little control over these funds; and numerous reports issued by LLA have found significant fraud and misappropriations relative to monies that should have been reported as additions to fiduciary funds. CPAs should include additions and deletions to fiduciary funds in their risk assessment.

The CPA should use checklists to avoid missing important audit procedures, but remember that checklists are not a substitute for critical thinking.

If assessed risks are identified, the CPA should extend procedures, or have a very good reason for not doing so.

During LLA's desk review of local auditee reports, and quality control reviews (QCR's) of selected engagements, LLA has also found a lack of understanding regarding the laws of the state of Louisiana and LLA's policies. CPAs should be familiar with Louisiana law regarding the local auditee; particularly Louisiana Revised Statute (R.S.) 24:513 and 24:514 (the audit law; see also Laws and Regulations); and the *Louisiana Governmental Audit Guide*<sup>4</sup>, which is the document that sets forth the standards by which local auditee engagements must be performed.

CPAs should particularly be aware of the following matters of Louisiana law and LLA policy: An audit, review/attestation, or compilation report is subject to revision until it is issued as a public document by LLA. If LLA requires a report to be revised, and that report has already been distributed to third parties by the CPA or the local auditee, the CPA must follow the guidance in AU-C Sections 560.15 - .18 and 560 A.18 – 26 (for audit engagements) or AT-C Sections 210.A. 41 – 42 (for review engagements) regarding notification to the parties to whom the report has been distributed. See also Reissued Reports<sup>5</sup>.

If a report is submitted to LLA more than six months after the local auditee's fiscal year end, it is delinquent, and must include a finding for noncompliance with R.S. 24:513 A. (5) (a) (i)<sup>4</sup>. See also [Due Date of Reports and Consequences of A Late Report](#)<sup>6</sup>.

The schedule of compensation, benefits, and other payments to the agency head is required to be included in each report. If none of the compensation received by the agency head is derived from the Louisiana sourced public funds the agency received, the schedule must still be included in the report, with the name of the agency head, and either zeros in the compensation categories, or a statement that none of the agency head's compensation was derived from the Louisiana public funds the agency received. See also [Special Reporting – Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Financial Officer](#)<sup>7</sup>.

CPAs should check the other information in the Special Reporting Requirements in the State of Louisiana<sup>8</sup> section of the Louisiana Governmental Audit Guide to ensure that their reports include all the requirements of Louisiana law and LLA policy that are over and above the requirements of GAAP.

The requirements of Louisiana law and LLA policies regarding local auditee reports is not dependent upon the amount of Louisiana sourced funds the local auditee receives in comparison to funds from other sources. For example, a nonprofit agency that receives a small amount of Louisiana sourced funds in comparison to funds received from other states must still include the schedule of compensation, benefits, and other payments to their agency head in their report that is submitted to LLA; and there must be a finding in the report if it is submitted to LLA past the Louisiana statutory due date.

All CPA firms must be current in their peer review requirements to remain on LLA's approved list. To find out more about the type and timing of peer review information that must be submitted to LLA, see [Peer Reviews](#)<sup>9</sup>.

LLA periodically sends out Audit Risk Alerts<sup>10</sup> to CPAs. These notifications pertain to changes in Louisiana law, LLA policies, and other information. It is very important to notify LLA of any change in email addresses for the individual CPA contacts in each firm. It is also important to periodically ensure that Audit Risk Alerts and other LLA emails are not getting caught in a firm's spam filter. CPA firms should contact LLA<sup>11</sup> if they encounter difficulties on their audit engagements. LLA staff offer assistance to CPA firms from answering technical questions to helping develop meaningful findings and attending entrance and exit conferences. However, the CPA is ultimately responsible for the work performed on his or her audit and attest engagements, and should first rely on their own judgment in determining the sufficiency of the procedures they perform on local auditee engagements.

## QUESTIONS:

**Q.** My CPA firm is not domiciled in the state of Louisiana. We perform an audit for a nonprofit organization whose main office is also in my state, but has a satellite office in the state of Louisiana; so it must report to LLA. My client does not want to put some of the information that is required by LLA in the audit report of the entire organization. Is there a solution?

**A.** LLA will accept a separate report of the agency's Louisiana operations that has all of the information required by Louisiana state law. The type of report may be a lower level of assurance than an audit, depending on the amount of state/local assistance that is provided to the agency by Louisiana sources. If the local auditee does not wish to incur the added expense of issuing a separate report, the report of the entire organization that is submitted to LLA must include the requirements of Louisiana law and LLA policy.

**Q.** I perform an audit of a local auditee that is a nonprofit and is not domiciled in the state of Louisiana. The only Louisiana sourced funds they receive are federal funds passed through the state. The federal government requires that they submit their audit report within nine months of their fiscal year; Louisiana has a six month report due date. The local auditee has no trouble complying with the federal government's reporting requirement but has difficulty complying with Louisiana's. Is there an exception to Louisiana's six month due date for nonprofit agencies that receive federal funds?

**A.** No, there is no such exception. Many of the local auditees that report to LLA, such as school boards, municipalities, and parish governing authorities also receive federal funds. They must report to LLA within six months after their fiscal year end, and so must nonprofits.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1050-auditing-standards-and-the-difference-between-gaap-gaas-and-gagas>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1190-allegations-misappropriation-notices-and-other-lla-notifications-to-cpas>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1050-louisiana-governmental-audit-guide>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1270-reissued-reports>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1200-due-date-of-reports-and-consequences-of-a-late-report>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1110-special-reporting-schedule-of-compensation-benefits-and-other-payments-to-agency-head-or-chief-executive-officer>

8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1055-special-reporting-continuing-disclosure-requirements-of-the-sec-and-the-state-of-louisiana>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1020-peer-reviews>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide>
11. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Responding To The Legislative Auditor's Requests For Information ( 400-1260 )

The audit law<sup>1</sup> (Louisiana Revised Statute 24:513 A. (6)<sup>2</sup>) gives the Louisiana Legislative Auditor (LLA) access to the audit/engagement documentation of the certified public accounting (CPA) firms performing the audit and other engagements of local auditees<sup>3</sup>:

The legislative auditor shall have the authority to prescribe the terms and conditions of any such audit or review conducted by a licensed certified public accountant and shall be authorized to approve said terms and conditions prior to its commencement and to require the office subject to audit to present said terms and conditions to him for approval...The legislative auditor shall also have access to the working papers of the accountant during the examination and subsequent to its termination.

LLA may ask the CPA firm for audit/engagement documentation for any number of reasons. The request may be made because of a question LLA has about an engagement. LLA may be responding to a question from the state Ethics Board or another state agency about a matter included in an audit report. Or, LLA may have decided to perform a quality control review (QCR) on an engagement.

Whatever the reason, a CPA should respond promptly and fully to any request for audit/engagement documentation made by LLA. Similarly, a CPA should respond promptly to any questions about a local auditee engagement that is not a request for audit documentation – such as a request to revise a report.

Unless otherwise indicated, LLA expects CPAs to respond to all requests within five working days. If a CPA cannot comply with a request made by LLA within five working days (or within the stated time frame), the CPA should respond as promptly as possible to the LLA employee making the request, stating that the request cannot be fulfilled within five working days; the reason why, and an alternative date for completion.

A CPA firm that routinely ignores or responds in an untimely manner to LLA requests is subject to disciplinary actions<sup>4</sup>, up to and including removal of the firm from LLA's approved list and cancellation of the firm's approved engagements.

Access to a CPA firm's audit/engagement documentation must also be given to the successor

auditor, or any organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance engagement reviews. Access to these parties must be given within two weeks of the request at no charge, exclusive of direct expenses of the access, such as reproduction costs or other granted privileges. Any deviation from this requirement shall be reported to the Legislative Auditor. When such deviations, in the judgment of the Legislative Auditor, serve to hinder the governmental audit process, the Legislative Auditor may, without liability, take possession of all audit/engagement documentation and make it available to the requesting individuals or organizations. The Legislative Auditor may cancel existing engagement agreements and/or refuse to approve future engagement agreements of any CPA failing to follow this provision.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1030-legislative-auditor-monitoring-and-disciplinary-actions-regarding-cpa-firms>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Reissued Reports ( 400-1270 )

Periodically the Louisiana Legislative Auditor (LLA) becomes aware that an audit or other attestation report that has been issued and is on LLA's website needs to be revised because of an error or omission. The notification may come from the CPA who performed the audit; the local auditee<sup>1</sup>; a funding agency of the local auditee; another third party, or through LLA's subsequent review of an issued report.

The reports on LLA's website have been issued as public documents. These reports cannot be replaced without some type of notification to those individuals who have relied upon the originally issued report.

A reissued report is handled in this manner:

1. The CPA firm that performed the engagement notifies LLA's Engagement Manager<sup>2</sup> that a report needs to be revised. Alternatively, if LLA becomes aware that a report is to be revised by a review of the report or through means other than by notification from the CPA firm, the Engagement Manager advises the CPA that the report needs to be revised.
2. The report is revised.
3. A letter is prepared, either on the local auditee's or the CPA firm's letterhead, explaining the reason the report was revised. The letter is issued with the revised report, as the first page of the report.
4. The report is sent to [ereports@lla.la.gov](mailto:ereports@lla.la.gov)
5. The report is reviewed and issued by LLA. The original report is replaced on the LLA website. The letter described in 3. is issued with the report, as the first page of the report; and serves as LLA's notification that the report has been revised.

A CPA firm that issues a revised report without notifying LLA is subject to disciplinary actions<sup>4</sup>, up to and including suspension.

### QUESTIONS:

**Q.** After I submitted a report through the portal, I realized that there was an error in it. Do I need to follow the procedures described above to reissue the report?

**A.** If LLA has not issued a report as a public document, you do not need to go through the process described above for a reissued report. Call Local Government Services (LGS)<sup>2</sup> to determine the

status of the report. If the report has not been issued, the report can be put on hold in the portal by an LGS staff person, and the report can be resubmitted.

If the report has been issued as a public document, the revised report needs to be submitted to LLA following the process described above.

**Q.** Does the letter attached to the revised report and issued by LLA satisfy the CPA's responsibilities for reissued reports under generally accepted auditing standards?

**A.** A CPA cannot assume that the letter attached to a revised report and issued by LLA will satisfy the CPA's responsibilities for reissued reports under generally accepted auditing standards. The CPA must review and follow the guidance in AU-C Sections 560.15 - .18 and 560 A.18 – 26 (for audit engagements) or AT-C Sections 210.A. 41 – 42 (for review engagements) regarding notification to the parties to whom the report has been distributed.

**Q.** One of my local auditee clients wants to revise an audit report for an immaterial matter. Does the revised report need to be sent to LLA?

**A.** LLA would advise you to talk with the local auditee and tell them what is involved in revising and redistributing the report. If the agency still wants to revise the report, it needs to be submitted to LLA following the process above.

**Q.** A funding agency for one of my local auditees has asked that the local auditee's audit report be revised for an immaterial error reported in a grant the local auditee received from them. Can the local auditee refuse to revise the report?

**A.** LLA does not usually interfere if a funding agency has requested that a report be revised, even if the revision is for an immaterial matter. The local auditee and their auditor may discuss the matter with the funding agency; but LLA will generally support the funding agency's ultimate decision.

**Q.** A report that was originally submitted to LLA by the statutory due date was revised subsequent to the due date. Does the revised report need to include a late report finding?

**A.** No. A revised report that was originally submitted to LLA by the statutory due date does not need to include a late report finding.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
3. <mailto:ereports@lla.la.gov>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1030-legislative-auditor-monitoring-and-disciplinary-actions-regarding-cpa-firms>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Auditing Federal Funds ( 400-1280 )

Many of the local government agencies and quasi-public organizations (local auditees)<sup>1</sup> that report to the Louisiana Legislative Auditor (LLA) receive and expend grants from the federal government. Some federal funds are sent to the local auditee directly from the federal government; others are passed through to the local auditee from a Louisiana state or local government agency or quasi-public organization.

If a local auditee expends \$750,000 or more in federal funds, an audit must be performed in accordance with the US Office of Management and Budget publication *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)<sup>2</sup>.

Additional procedures are performed by the auditor during a Uniform Guidance audit to determine whether the local auditee expended the federal funds in accordance with federal law. The auditor reports on the results of these tests in the *Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance* (the Single Audit report).

If a local auditee expends \$750,000 or more in federal funds, their audit report must also include a schedule of federal expenditures (also referred to as the SEFA). The Single Audit report or auditor's opinion includes the auditor's in-relation-to opinion on the SEFA.

#### QUESTIONS:

**Q.** Do audits that are performed under Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards also include the 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 or Yellow Book report?

**A.** Most audits performed under *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* include a Yellow Book report. Audits performed on a single federal program, or program specific audits, are not required to include the Yellow Book report.

**Q.** Are federal funds considered in determining the type of report a local auditee must submit to LLA?

**A.** Yes, but the consideration is different for quasi-public agencies (which are mostly nonprofits that

receive local and/or state assistance) and local government agencies.

All funds that a local government agency receives are considered to be public funds; therefore, all funds that a local government agency receives are to be included in determining the type of report that the local government must submit to LLA (audit, review/attestation, or compilation). See [What Kind of Report Does My Agency Need to Provide to the Legislative Auditor?](#)<sup>3</sup>

Once a nonprofit agency receives or expends **any** local or state assistance in any fiscal year, it must provide a report to LLA. After this initial criterion for reporting to LLA is reached, any federal funds the nonprofit receives must be included in the calculation to determine the type of report that the nonprofit must provide to LLA, even if those federal funds were received directly from the federal government, and not passed through a local or state government agency.

A nonprofit agency that receives only direct federal funds, and no local or state assistance, is not required to report to LLA.

**Q.** The federal government requires submission of the Single Audit report within the earlier of 30 calendar days after receipt of the auditor's report(s) or nine months after the agency's fiscal year end. The Louisiana audit law requires submission of reports within six months after the end of the audit period. Will LLA accept local auditee reports that include Single Audits nine months after the local auditee's fiscal year end, without a late report finding?

**A.** Generally, no. LLA expects reports to be complete and ready to be issued when they are submitted, and does not allow submission of a report that is not complete and does not have all of its required components. Local auditee reports that include a Single Audit report must usually be submitted to LLA within six months of the local auditee's fiscal year end. The report that is submitted to LLA must also include the Single Audit report, the SEFA, and all other reports required by Uniform Guidance. If the report is submitted after the Louisiana statutory due date, it must include a late report finding.

An exception is made if a local auditee's audit report is ready to be submitted to LLA, but because of delays in federal guidance related to the expenditure of federal funds the local auditee has received, the Single Audit will be delayed. If a local auditee wishes to submit their audit report to LLA without the Single Audit report due to a delay in federal guidance, the local auditee or the CPA must notify LLA through the extension request form<sup>44</sup> on LLA's website before the due date of the audit report. A full explanation of the reason for the delay of the Single Audit report must accompany the request, and the request must plainly state that the extension is for the Single Audit report only, not the audit report, the statewide agreed-upon procedures report<sup>5</sup>, the school board/charter school performance measures agreed-upon procedures report<sup>6</sup>, or any other report that is required by Louisiana statute or LLA policy.

Upon receipt of the original audit report and other reports required by Louisiana statute or LLA policy, LLA will review and issue the report package as a public document. If the extension is approved by LLA and the audit report and other required reports except the Single Audit are submitted to LLA by the statutory due date, no late report finding is required to be included in the audit report or the Single Audit report.

When the local auditee's Single Audit report is complete the CPA will submit a revised report package to [ereports@lla.la.gov](mailto:ereports@lla.la.gov) that includes the Single Audit report, the original audit report and any other reports that were originally submitted to LLA, and a letter prepared on the letterhead of either the local auditee or the CPA firm stating that the original report package that was submitted to LLA has been revised to include the Single Audit report. The letter will be issued with the audit report and the Single Audit report, as the first page of the report package.

The auditor should review and follow the guidance in AU-C Section 560.13 (AU-C 560A.11 - A.17) to determine whether it is necessary to dual date the auditor's opinion in the revised report package; and AU-C Sections 560.15 - 18 (AU-C 560A.18 - A.26) regarding notification to the parties to whom the original audit report was distributed.

CPA firms also have the option, with the agreement of the local auditee, of performing the Single Audit with the existing federal guidance and submitting the audit report and the Single Audit report to LLA by the state statutory deadline; with the understanding that the report may need to be revised if the new federal guidance is materially different from the guidance under which the audit was performed.

**Q.** Are loans made to the local auditee by the federal government subject to audit under Uniform Guidance?

**A.** The CPA should refer to *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F<sup>2</sup>, to determine if any loans made to a local auditee by the federal government are subject to the Single Audit and should be included on the SEFA.

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1040-what-kind-of-report-does-my-agency-need-to-provide-to-the-legislative-auditor>
4. <https://www.lla.la.gov/local-government-entities/extension-request-form/index.shtml>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1320->

statewide-agreed-upon-procedures-and-faqs

6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1130-school-boards-and-charter-schools>
7. <mailto:ereports@lla.la.gov>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Legislative Auditor Assistance To CPA Firms ( 400-1290 )

The Louisiana Legislative Auditor (LLA) is given broad authority in the audit law <sup>1</sup>(Louisiana Revised Statute 24:513<sup>2</sup>) to prescribe the terms and conditions of engagements of local auditees<sup>3</sup> that are performed by certified public accounting (CPA) firms that LLA has approved.

CPA firms performing audit, review/attestation and compilation engagements for local auditees enjoy many of the same rights and considerations that LLA does under the audit law. They have unfettered access to the local auditee's books and records. They can expect timely compliance with their requests for information.

In addition, LLA can provide CPAs with technical assistance including but not limited to the following:

The<sup>4</sup>*Louisiana Governmental Audit Guide*<sup>4</sup>, which is the standard by which local auditee engagements are to be performed; and related practice aids, available on LLA's website **Legal assistance resources, available on LLA's website** and directly from LLA's legal division Guidance in investigating fraud and misappropriations from Investigative Audit Services

LLA will also provide CPAs with the type of support enumerated in the questions and answers below.

#### QUESTIONS:

**Q.** I am a CPA auditing a local auditee. I cannot get records from the local auditee. What can I do?

**A.** Contact LLA's Engagement Manager<sup>5</sup>. LLA will note in their records that you are having problems getting records from the local auditee. If the local auditee's refusal to provide its records to you causes its report to be delinquent, its name will go on the noncompliance list on LLA's website. No state funds will be paid to the agency until its audit report is submitted.

LLA may notify the local auditee by letter of their requirement to provide you with the books and records necessary to perform the engagement, and set a date by which they must provide these records. If the date passes and the local auditee has not provided the records, LLA may notify the district attorney in the judicial district in which the local auditee is domiciled of the local auditee's noncompliance with the audit law.

LLA may also request that the local auditee appear before the Legislative Audit Advisory Council <sup>6</sup>to explain why it is unable to comply with the audit law.

**Q.** I am a CPA with an approved engagement to audit a local auditee. The local auditee has informed me that they want to hire another approved CPA firm to perform the engagement. Must I allow the local auditee to cancel the engagement?

**A.** An engagement agreement is a contract; and LLA will not withdraw its approval for an engagement agreement unless both the local auditee and the CPA have agreed to cancel it. However, LLA does ask the CPA to keep in mind that if they choose to perform an audit against the wishes of a local auditee, the environment on the audit site may be less than ideal.

**Q.** I am a CPA who audited a local auditee in the prior year. The local auditee has notified me that they don't want to hire my firm to perform the current year audit, but they haven't paid my firm for the prior year audit. What is my recourse?

**A.** Whenever LLA receives an engagement approval request that indicates there is a change of CPA for an audit or review/attestation engagement, LLA calls both the local auditee and the prior CPA firm to obtain additional information regarding the reason the local auditee is changing CPA firms. One of the questions LLA asks the prior CPA is if they have been paid for their engagement. LLA will not approve a change of CPA for a local auditee that has not paid their prior CPA.

**Q.** I am a CPA who audited a local auditee in the prior year. The local auditee has notified me that they don't want to hire my firm to perform the current year audit. There were a lot of findings in the prior year report, and I think that the local auditee is trying to hire a CPA firm that will write fewer findings. What should I do?

**A.** Whenever LLA receives an engagement approval request that indicates there is a change of CPA for an audit or review/attestation engagement, LLA calls both the local auditee and the prior CPA firm to obtain additional information regarding the reason the local auditee is changing CPA firms. One of the questions LLA asks the prior CPA is if there were any disagreements with the local auditee that may have caused them to change CPAs. If there are indications that the local auditee is opinion shopping or attempting to eliminate findings by changing CPA firms, LLA will either not approve the change of CPA; or will approve the change of CPA, but monitor the new engagement closely to ensure that the prior year findings are appropriately addressed by the new CPA firm.

**Q.** I am a CPA who has a new client. The prior auditor will not provide me with access to the prior year workpapers. What can I do?

**A.** Contact LLA's Engagement Manager<sup>5</sup> for assistance in obtaining access to the prior year workpapers.

**Q.** I am a CPA performing the audit of a local auditee. I have determined that I need to modify the auditor's opinion; but I am getting a lot of pressure from the local auditee not to do so. What should I do?

**A.** A CPA is required by professional standards to render whatever opinion is warranted based on

their audit of an agency's books and records. LLA generally does not intervene on behalf of a local auditee when there is a disagreement between a CPA and the local auditee over the type of opinion rendered, absent a very good reason. A CPA feels he or she is being pressured to render a different type of opinion than the one supported by their audit work, or has any doubts about the type of opinion that should be rendered, should contact LLA's Engagement Manager or the Director of Local Government Services.<sup>5</sup>

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1050-louisiana-governmental-audit-guide>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1060-legislative-audit-advisory-council>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### On-Behalf Payments ( 400-1300 )

Certain expenditures of local government agencies may be paid by another government or other entity. These payments are called **on-behalf** payments. Governmental Accounting Standards Board (GASB) Statement No. 24 addresses the accounting treatment of on-behalf payments for fringe benefits and salaries.

For the purposes of GASB 24, on-behalf payments are direct payments made by one entity (the **paying government or entity**) to a third-party recipient for the employees of another, legally separate entity (the **employer government or entity**). On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends.

To illustrate, a state government that makes supplemental salary payments to city police officers and contributions to a pension plan for elementary and secondary school teachers would be known as the **paying government** for the purposes of GASB 24. The city and school board would be known as the **employer governments**.

On-behalf payments include payments made by governmental entities on behalf of other governmental entities; payments made by governmental entities on behalf of nongovernmental entities, and payments made by nongovernmental entities on behalf of governmental entities.

On-behalf payments may be made for paid employees of the employer government or entity, and also for volunteers, such as state government pension contributions for volunteer firefighters that work with a city fire department.

GASB 24 requires an employer government to recognize revenue and expenditures or expenses for on-behalf payments for fringe benefits and salaries. The employer government should recognize revenue equal to the amounts that third-party recipients of the payments received and that are receivable at the end of the employer government's fiscal year.

The employer government is required to recognize on-behalf payments for fringe benefits and salaries even if the payments are received directly by their employee, or directly by a third party (such as a retirement system) on their employee's behalf.

If the employer government *is not* legally responsible for the payment, it should recognize expenditures or expenses equal to the amount recognized as revenue.

If the employer government *is* legally responsible for the payment, it should follow accounting standards for that type of transaction to recognize expenditures or expenses and related liabilities or assets. For example, expenditures or expenses for on-behalf payments for contributions to a pension plan should be recognized and measured using pension accounting standards for state and local governmental employers.

## QUESTIONS:

**Q.** I am engaged to perform a review/attestation engagement of a local government agency. The local government recognized revenues and expenditures for on-behalf payments for salaries and benefits made to its employees during the fiscal year. The increase in revenues puts them in the audit range. Must they count the additional revenues for on-behalf payments in the calculation for determining their reporting requirement to the Legislative Auditor (LLA)?

**A.** Yes. A local government's reporting requirement in the audit law<sup>1</sup> (Louisiana Revised Statute 24:513<sup>2</sup>) is based on the amount of revenues and other sources the local government receives. There is no provision in the audit law that excludes revenues recognized for on-behalf payments in the calculation for determining an agency's reporting requirement to LLA.

**Q.** Are nonprofit agencies required to recognize on-behalf payments for salaries and benefits, like local governments do?

**A.** Most nonprofit agencies report under Financial Accounting Standards Board (FASB) standards. FASB<sup>3</sup> and GASB<sup>3</sup> standards have different rules for reporting on-behalf payments. A nonprofit agency that reports under FASB standards should refer to those standards for determining the recognition of on-behalf payments.

**Q.** Are payments for rent, utilities, etc., paid on behalf of a local government agency by another government agency recognized as revenues and expenditures in the local government's financial statements?

**A.** There is no requirement in the GASB standards for a local government to recognize revenues and expenditures for on-behalf payments other than fringe benefits and salaries.

**Q.** How can a local government determine the amount of on-behalf payments for fringe benefits and salaries that are made directly by a paying government or entity directly to the employee of the employer entity, or directly to a third-party (such as a retirement system)?

**A.** GASB Statement No. 24 advises employer governments to obtain the amount of on-behalf payments for fringe benefits and salaries from the paying government or entity, or the third-party recipient. If information cannot be obtained from these sources, the employer government should

make its best estimates of the amounts.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1090-reporting-for-nonprofits>

*NB: This document is the current version as of 04-13-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Engagement Completion Checklist ( 500-1010 )

ENGAGEMENT  
COMPLETION  
CHECKLIST

The table below presents a lists of tasks relating to a local auditee's reporting requirement to the Louisiana Legislative Auditor (LLA);

a link to the related document in the Louisiana Governmental Audit Guide (LAGAG), and a recommended deadline for completion.

Task	Related document in LAGAG	Deadline for completion
Address any correspondence regarding your agency’s reporting requirement to LLA	What Should I Do When My Agency Receives Correspondence from the Legislative Auditor? <sup>1</sup>	If not stipulated in the correspondence, within five business days after receipt of the correspondence
Determine whether your agency should be reporting to LLA	Does My Agency Need to Report to the Legislative Auditor? <sup>2</sup>	As soon as possible
Determine what kind of report your agency should provide to LLA	What Kind Of Report Does My Agency Need to Provide to the Legislative Auditor? <sup>3</sup>	By three months before the end of the agency’s fiscal year
Choose a CPA firm to perform your agency’s engagement	Choosing A CPA Firm <sup>4</sup>	Begin the process at least two months before the agency’s fiscal year end, with the goal of having a signed engagement agreement by the agency’s fiscal year end
Prepare for the audit, review/attestation or compilation engagement	Preparing for the Audit – Tips on Keeping the Cost of the Audit Down <sup>5</sup>	By the start of fieldwork
Audit is performed	Performance of the Audit <sup>6</sup>	From the start of the fieldwork through submission of the report to LLA
Provide the signed Louisiana Compliance or Attestation Questionnaire to	Louisiana Compliance and Attestation Questionnaires <sup>7</sup>	At the start of fieldwork

the CPA firm

Determine if your agency  
has any component units  
and how they will be  
reported

Component Units<sup>8</sup>

At the start of fieldwork

Provide any regulatory  
agency reports to the CPA

Investigative Audits and  
Related Matters<sup>9</sup>

At the start of fieldwork

Provide signed  
management  
representation letter to CPA

Management Representation  
Letters<sup>10</sup>

At the end of fieldwork

Provide response to report  
findings and management  
letter comments

Findings and Management  
Letter Comments<sup>11</sup>

No later than two weeks before report  
due date

Facilitate completion of  
audit and submission of  
report by CPA to LLA

How is My Agency's Report  
Submitted to the Legislative  
Auditor?<sup>12</sup>

Ongoing, with the goal of completion  
no later than two weeks before report  
due date

File an extension request if  
needed

Due Date of Reports and  
Consequences of a Late  
Report<sup>13</sup>  
Extension Requests<sup>14</sup>

Two weeks before report due date

Submit report to regulatory  
agencies after it has been  
issued by LLA

What Happens After the  
Legislative Auditor Receives  
My Agency's Report?<sup>15</sup>

Check LLA's website every Monday to  
see if report has been issued

OTHER IMPORTANT INFORMATION AND LINKS TO  
DOCUMENTS:

16

16

16

Local Government Agencies  
and Quasi-Public

17

16

Organizations (Local Auditees)

17

17

What is an Audit?<sup>17</sup>

18

17

18

Generally Accepted  
Accounting Principles<sup>18</sup>

19

Generally Accepted Auditing  
Standards and Generally

19

Accepted Government Auditing

20

	Standards <sup>19</sup>	
20	Reporting for Local Governments <sup>20</sup>	21
21	Reporting for Nonprofits <sup>21</sup>	22
22	Independence of the CPA Firm Performing the Audit <sup>22</sup>	23
23	Responsibilities of the Local Auditee vs. Responsibilities of the CPA Performing the Audit <sup>23</sup>	24
24	Internal Controls <sup>24</sup>	25
25	What is Materiality? <sup>25</sup>	26
26	Reporting Fraud to the Legislative Auditor <sup>26</sup>	27
27	Legislative Auditor Assistance to Local Auditees <sup>27</sup>	28
28	Unresolved Findings and the Three Strikes Rule <sup>28</sup>	29
29	Disputes Between the Local Auditee and Their Auditor <sup>29</sup>	30
30	Newly Elected Officials <sup>30</sup>	

## Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1020-what-should-i-do-when-my-agency-receives-correspondence-from-the-legislative-auditor>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1030-does-my-agency-need-to-report-to-the-legislative-auditor>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1040-what-kind-of-report-does-my-agency-need-to-provide-to-the-legislative-auditor>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1110-choosing-a-cpa-firm>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1120-preparing-for-the-annual-audit-tips-on-keeping-the-cost-of-the-audit-down>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1130-performance-of-the-audit>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1170->

[louisiana-compliance-and-attestation-questionnaires](#)

8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1150-component-units>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1160-investigative-audits-and-related-matters>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1170-management-representation-letters>
11. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1180-findings-and-management-letter-comments>
12. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1190-how-is-my-agencys-report-submitted-to-the-legislative-auditor>
13. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1200-due-date-of-reports-and-consequences-of-a-late-report>
14. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1210-extension-requests>
15. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1220-what-happens-after-the-legislative-auditor-receives-my-agencys-report>
16. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
17. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1050-what-is-an-audit>
18. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
19. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
20. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1080-reporting-for-local-governments>
21. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1090-reporting-for-nonprofits>
22. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1100-independence-of-the-cpa-firm-performing-the-audit>
23. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1230-responsibilities-of-the-local-auditee-vs-responsibilities-of-the-cpa-performing-the-audit>
24. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1240-internal-controls>
25. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1250-what-is-materiality>
26. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1260-reporting-fraud-to-the-legislative-auditor>
27. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1270-legislative-auditor-assistance-to-local-auditees>
28. [<https://www.lla.la.gov/table-of-contents/lagag/500-1010-engagement-completion-checklist>\[8/4/2023 7:13:12 AM\]](https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1280-</a></li></ol></div><div data-bbox=)

unresolved-findings-and-the-three-strikes-rule

29. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1290-disputes-between-the-local-auditee-and-their-auditor>
30. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1300-newly-elected-officials>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### What Should I Do When My Agency Receives Correspondence From The Legislative Auditor? ( 500-1020 )

Your agency receives an email or a letter from the Louisiana Legislative Auditor (LLA). You're not sure what to do. Have you done something wrong? Are you in violation of the law? What are the repercussions to your agency?

There is no need to panic when your agency receives correspondence from LLA; but you do need to follow the instructions in the correspondence to ensure that your agency is in compliance with Louisiana law.

The majority of correspondence sent to local government agencies and quasi-public organizations (local auditees<sup>1</sup>) from LLA comes from Local Government Services (LGS) and pertains to a local auditee's reporting requirement to LLA. The correspondence clearly states the reason it was sent, the actions the local auditee needs to take, and any repercussions for not taking these actions.

There are two types of correspondence that are routinely sent to local auditees by LLA LGS staff:

- **Enforcement correspondence.** This type of correspondence is referred to as *enforcement* because it is used by LLA to enforce Louisiana Revised Statute (R.S.) 24:513<sup>2</sup> and 24:514<sup>3</sup> (the audit law<sup>4</sup>). This correspondence reminds a local auditee that their audit, review/attestation, or compilation report will soon be due to LLA; and that the local auditee needs to procure the services of an approved certified public accounting (CPA) firm to perform the related engagement.

Most enforcement correspondence is sent by email if LLA has a current email address for the local auditee.

LLA initially sends enforcement correspondence approximately thirty days before the local auditee's fiscal year end; with follow up correspondence sent approximately thirty days before the due date of the report if the local auditee has not engaged its CPA.

Local auditees are required by R.S. 24:514<sup>3</sup> to engage their CPA firm within sixty days of their fiscal year end. There are consequences for a local auditee that does not engage their CPA firm within that time frame.

LLA sends similar enforcement correspondence to local auditees that are required to provide sworn financial statements; but only one notification is sent, approximately thirty days after the local auditee's fiscal year end. Blank sworn financial statement forms and instructions are included in the correspondence, either through an attachment if the correspondence is sent by email, or through a

hard copy form if the correspondence is sent by letter. The local auditee may prepare the sworn financial statements themselves, or may hire a CPA firm to prepare them.

See also What Kind of Report Does My Agency Need to Provide to the Legislative Auditor?<sup>5</sup>

**- Delinquent report correspondence.** This type of correspondence advises a local auditee that their report is delinquent, and the local auditee's name has been placed on the noncompliance list on LLA's website. Delinquent report correspondence is also usually sent by email if LLA has a current email address for the local auditee. R.S. 39:72.1<sup>6</sup> prohibits the payment of Louisiana state government funds to a local auditee whose name is on the noncompliance list.

See also Due Date of Reports and Consequences of a Late Report<sup>7</sup>.

LLA also sends correspondence to local auditees to request information, or for other various reasons.

When a local auditee receives an email or letter from LLA, they should do the following:

**Read the email or letter and follow the instructions.** Any correspondence from LLA to a local auditee includes clear instructions on the actions the local auditee needs to take. Enforcement correspondence to local auditees that provide audit, review/attestation or compilation reports state that the local auditee needs to hire a CPA firm from LLA's approved list to perform the related engagement; and includes a link to the list of approved CPA firms on LLA's website<sup>88</sup>. Enforcement correspondence that is sent to local auditees that provide sworn financial statements include the blank sworn financial statement forms that need to be submitted to LLA, and instructions on how to fill them out. Other types of correspondence may request other information or actions that is required of the local auditee. Follow the instructions and call the contact person listed in the correspondence if you have any questions.

**If a response is requested, please respond within five business days (or the period of time stipulated in the correspondence).** If you cannot respond in the requested period of time, please call the contact person named in the correspondence.

**Call the contact person named in the correspondence if you have any questions.** Have the letter or a copy of the email in front of you when you call. Before you call LLA with a question about correspondence you received, make sure that LLA sent the correspondence. LLA cannot answer questions about correspondence that originated from another state agency, such as the state Ethics Board. These questions need to be addressed by the agency that sent the correspondence.

**Maintain current contact information with LLA.** If your agency's contact information (e.g., email address of primary contact person, street address, telephone number) or key personnel change; or if you see incorrect contact information on LLA correspondence that comes to you, please contact LLA LGS staff<sup>9</sup> to update your agency's contact information.

## QUESTIONS:

**Q.** What are the consequences to a local auditee that does not engage their CPA firm within sixty days of its fiscal year end?

**A.** A local auditee that does not engage its CPA firm within sixty days of its fiscal year end runs a greater risk that their audit, review/attestation or compilation report will not be submitted by the statutory due date. Consequently, engaging a CPA firm in that time frame is one of the criteria LLA considers when granting extensions to local auditees.

**Q.** My agency received an email from LLA stating that because it is more than sixty days after my agency's fiscal year end and we had not engaged a CPA, we are required to submit sworn financial statements to LLA. We are in the process of engaging a CPA, and we don't have the time or resources to stop that process and prepare sworn financial statements. What do we do?

**A.** Although R.S. 24:514<sup>3</sup> requires a local auditee to submit its sworn financial statements if LLA has not approved its engagement agreement, LLA is more concerned about the local auditee's progress in engaging a CPA than it is in receiving the local auditee's sworn financial statements. It is recommended that you call LGS staff<sup>9</sup> and advise them that you are in the process of engaging a CPA, and the date by which you plan to sign the engagement agreement.

**Q.** I received an email from LLA asking me to engage a CPA firm to perform my agency's audit. We engaged a CPA firm a month ago. Should I send the signed engagement agreement to LLA as proof that we have engaged a CPA firm?

**A.** No. Call the CPA firm and ask them to submit the online Engagement Approval Request form to LLA. If they have already done so, ask them to call LGS staff<sup>9</sup> to find out if there is a problem that is holding up approval of the engagement.

## Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <http://legis.la.gov/Legis/Law.aspx?d=84131>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1040-what-kind-of-report-does-my-agency-need-to-provide-to-the-legislative-auditor>
6. <http://www.legis.la.gov/Legis/Law.aspx?d=631275>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1200-due-date-of-reports-and-consequences-of-a-late-report>
8. <https://lla.la.gov/go/AK2QPF>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090->

staff-directory

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Does My Agency Need To Report To The Legislative Auditor? ( 500-1030 )

Louisiana Revised Statute (R.S.) 24:513<sup>1</sup> and 24:514<sup>2</sup> (the audit law<sup>3</sup>) requires local government agencies and quasi-public organizations (local auditees)<sup>4</sup> to provide annual financial reports to the Louisiana Legislative Auditor (LLA). These reports provide assurance to citizens, legislators and other users that government funds are accounted for, and that local auditees are in compliance with applicable laws and regulations.

Local government agencies in Louisiana include:

Assessors

City and District Courts

Clerks of Court

District Attorneys

District Public Defenders

Housing Authorities

Mortgage Authorities

Municipalities

Parish Governing Authorities

School Boards

Sheriffs

Entities that meet the following definition of a quasi-public organization in R.S. 24:513 A (1) (b)<sup>1</sup> must also provide an annual financial report to LLA:

- (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 authority is elected by the general public;
  - (bb) a majority of the governing body is appointed by or authorized to be appointed by a governmental entity or individual governmental 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 of which is exempt from federal taxation; or

(ee) the entity can be dissolved unilaterally by a governmental entity and its net assets assumed without compensation by that governmental entity.

(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 good 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<sup>5</sup>, assistance to private colleges and universities, or benefits to individuals.

(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.

It is usually a relatively simple matter to determine if an entity can be categorized as a local government agency. And, the descriptions of entities that meet the definitions of a quasi-public organization that are found in in R.S. 24:513 A. (1) (b) (i) through (iii) and (v)<sup>1</sup> are fairly specific.

Most of the questions about reporting requirements to LLA come from nonprofits that want to know if they fit the definition of a quasi-public organization found in R.S. 24:513 A. (1) (b) (iv)<sup>1</sup>. These nonprofits receive some type of payment from a Louisiana state or local government agency, and it is unclear as to whether the payment is “local or state assistance,” receipt of which would require a nonprofit to report to LLA; or a vendor contract or other type of payment exempted from the reporting requirement.

There is a document on LLA’s website that will help a nonprofit in determining if it has a reporting requirement to LLA under R.S. 24:513 A. (1) (b) (iv)<sup>1</sup>. There is also a document<sup>6</sup> on LLA’s website that discusses how the receipt of federal funds by a nonprofit affects that nonprofit’s reporting requirement to LLA. LLA staff can also assist a nonprofit in making that determination.

If you have a question as to whether or not your nonprofit or other agency has a reporting requirement to LLA, please contact LLA’s Local Government Services (LGS) staff.<sup>7</sup>

## **QUESTIONS:**

**Q.** My nonprofit agency received state and/or local government funds, but LLA has never contacted me to tell me that I need to report to them. Does that mean I don’t have to report to LLA?

**A.** The reporting requirement to LLA is triggered by the receipt of public funds, not notification by LLA that an agency must report to it. Although LLA regularly reviews state appropriations acts and state expenditure reports to identify agencies that must report to it, it is impossible to identify every agency

that has a reporting requirement to LLA, especially if the nonprofit receives only local government funds. If you believe your agency is required to report to LLA, or are unsure if you need to report, please contact LGS staff.<sup>7</sup>

**Q.** This is the first year that my nonprofit agency has received local or state assistance. What should I do to fulfill my reporting requirements to LLA?

**A.** Please contact LGS staff<sup>7</sup>. You will be asked for contact and other information that will allow LLA staff to set up your agency in LLA's database. You will then receive instructions on what type of report you should submit to LLA, and the deadline for the report.

**Q.** I am the executive director of a nonprofit corporation. I realized that my agency should have provided an audit report to LLA for state assistance we received last year. It is eight months after the fiscal year end in which my agency should have reported, and the report is now late. What should I do?

**A.** Please contact LGS staff<sup>7</sup>. Your agency will be set up in LLA's database; correspondence will be sent to you instructing you to engage a CPA on LLA's approved list to perform the audit, and to submit an extension request<sup>8</sup> form to LLA for the late report.

**Q.** I am the executive director of a private school. My understanding is that private schools are exempted from providing an annual financial report to LLA. However, my private school receives funds under the Student Scholarships for Educational Excellence Program (R.S.17:4014 et seq.); and under R.S. 24:513.A (1) (b) (iv) and R.S. 17:4022, appears to have some type of reporting requirement to LLA. Can you clarify what that reporting requirement is?

**A.** R.S. 17:4022 describes the reporting requirement for private schools that participate in the Student Scholarships for Educational Excellence Program. These reports are submitted to the Louisiana Department of Education (LDOE), and LLA has the authority to follow up on any irregularities or findings in them. LLA considers the private school's reporting requirement to LLA under R.S. 17:4022 to be fulfilled once the private school has provided the statutorily required report to LDOE.

### Links:

1. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
2. <http://legis.la.gov/Legis/Law.aspx?d=84131>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
5. <http://www.legis.la.gov/Legis/Law.aspx?d=631057>
6. [https://app.lla.state.la.us/lla/nsf/7A67533361A2DA49862581E7005CCC6A/\\$FILE/White%20Paper%20-%20Federal%20Funds%20&%20Audit%20Law.pdf](https://app.lla.state.la.us/lla/nsf/7A67533361A2DA49862581E7005CCC6A/$FILE/White%20Paper%20-%20Federal%20Funds%20&%20Audit%20Law.pdf)
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1210-extension-requests>

*NB: This document is the current version as of 04-13-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

What Kind Of Report Does My Agency Need To Provide To The Legislative Auditor? ( 500-1040 )

Once you have determined that your agency is a local auditee<sup>1</sup> and needs to provide a report to the Louisiana Legislative Auditor (LLA)<sup>2</sup>, the next determination you need to make is what kind of report your agency must provide to LLA.

The type of report a local auditee must provide to LLA is based upon the amount of:  
Revenues and other sources the local auditee receives, if the local auditee is a local government agency, or a quasi-public organization that fits within the definition of Louisiana Revised Statute (R.S.) 24:513 A (1) (b) (i-iii and v)<sup>3</sup>  
Local and state assistance the local auditee receives, if the local auditee is a nonprofit agency that fits within the definition of a quasi-public organization under R.S. 24:513 A (1) (b) (iv)<sup>3</sup>

The amount of revenue and other sources/local and state assistance a local auditee receives also determines whether the local auditee may self-prepare the report, or must contact a certified public accounting (CPA) firm to perform the related engagement.

Amount of revenues and

other sources/local and    Type of report provided    CPA or self –prepared  
state assistance received

\$500,000 and over	Audit	Independent CPA
\$200,000 - \$499,999	Review/attestation	Independent CPA
\$75,001 - \$199,999	Compilation	CPA
		Self-prepared; or the local
\$75,000 and under	Sworn financial statements	auditee may choose to have CPA prepare report

An **audit** engagement is an examination of a local auditee’s financial statements that is performed by an independent CPA firm. Included in the audit report is the auditor’s opinion on the financial statements, in which the CPA states whether or not he or she believes that the financial statements present fairly, in all material respects, the financial position of the local auditee for the period of time that the audit covers – which is usually one year.

Most audit reports that are submitted to LLA also include a report in which the CPA describes the results of his or her tests on the local auditee’s internal controls over its financial systems, and its compliance with laws and regulations. For additional information, see What Is An Audit?<sup>4</sup>

A **review/attestation** engagement is another type of examination performed by a CPA. In the review portion of the engagement, the CPA performs limited tests of the local auditee's financial records, and states in the review report whether anything came to his or her attention that would indicate that the financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles<sup>5</sup>. In the attestation portion of the engagement, the CPA reviews the local auditee's compliance with certain laws and regulations that LLA has asked the CPA to test. The CPA's attestation report states whether the local auditee has complied with these laws and regulations.

A **compilation engagement** is one in which the CPA compiles, or puts together, the financial statements for the local auditee. The CPA's report that accompanies compiled financial statements gives no assurance as to whether or not the financial statements are correct.

**Sworn financial statements** include a simple financial statement form that a local auditee may self-prepare, without the aid of a CPA; although the local auditee may ask a CPA to prepare the form if they choose to do so. The local auditee also provides a notarized affidavit with the sworn financial statements affirming that the financial statements are true and correct, and that the local auditee received \$75,000 or less during the fiscal year.

For the reporting requirement of housing authorities, see Special Reporting - Housing Authorities<sup>6</sup>. For the reporting requirement for justices of the peace and constables, see Special Reporting - Justices of the Peace and Constables<sup>7</sup>.

After you determine that your agency is a local auditee and needs to provide an annual audit, review/attestation or compilation report to LLA, you will need to contact a CPA firm on LLA's approved list to perform the engagement. Additional information on engaging a CPA firm may be found at Choosing A CPA Firm<sup>8</sup>.

A local auditee may elect to provide for a report that is at a higher level of assurance or engagement than what is required by the audit law. For example, a nonprofit that receives \$100,000 in public funds may provide for audited financial statements, even though it is only required to provide a compilation report to LLA under the audit law.

If a local auditee is required by a grantor, bond indenture, or other outside party to provide for a report that is a higher level of assurance than the audit law, the local auditee should provide for a report with the higher level of assurance. For instance, if a nonprofit agency receives between \$75,001 and \$199,999 in local and/or state assistance annually, it is required by the audit law to provide a

compilation report to LLA. If a grantor requires the nonprofit to provide an audit report, then the nonprofit may provide the audit report to LLA, so long as the audit is performed by a CPA on LLA's approved list.

A local auditee may provide for a report with a higher level of assurance than what is required by the audit law. However, a local auditee may not elect to provide for a report with a lower level of assurance than what is required by law.

LLA has the authority under the audit law to require a local auditee to provide for a report that is at a higher level of assurance than what would normally be required based on the amount of revenues and other sources/local and state assistance it receives. LLA may make this requirement if a local auditee has significant unresolved findings or for other reasons, at LLA's discretion. LLA will notify the local auditee of this requirement, and will allow the agency to again report at the level commensurate with the audit law when the matter is satisfactorily resolved.

### **QUESTIONS:**

**Q.** How often is my local government agency required to provide a report to LLA?

**A.** A local government agency is required to report to LLA every year.

**Q.** How often is my nonprofit agency required to report to LLA?

**A.** A nonprofit agency is required to report to LLA every year that it meets the definition of a quasi-public organization<sup>9</sup>.

**Q.** I am a nonprofit that had a reporting requirement to LLA last year. I received correspondence from LLA about my reporting requirement for the current year. My agency received no local or state assistance in the current year. What should I do?

**A.** Please contact LLA's Local Government Services.<sup>10</sup> You may be requested to provide additional information, such as a written statement that your agency received no public funds during the fiscal year. However, you will not be required to provide an annual financial report to LLA during the current year.

**Q.** Why is the reporting requirement for local governments and some quasi-public organizations based on "revenues and other sources;" and the reporting requirement for nonprofits is based on "local and state assistance?"

**A.** This is the language in the audit law, and it pertains to the determination of what constitutes public funds for different types of agencies.

All of the revenue local governments and some quasi-public organizations receive is considered to be public funds, and must be considered in determining these agencies' reporting requirement to LLA, along with items like bond proceeds, insurance proceeds, and additions to agency funds.

Not all of the funds that a nonprofit receives are considered to be public funds. Local or state

assistance are the grant funds the nonprofit receives from a Louisiana local or state government agency, plus any federal funds passed through a Louisiana local or state government agency. The private funds (such as donations and grants from non-governmental sources) that a nonprofit receives that are not commingled with the public funds (local or state assistance) it receives are not considered to be public funds, and do not need to be considered in determining its reporting requirement to LLA. If a nonprofit receives direct federal assistance in addition to local or state assistance, the nonprofit must add the amount of direct federal assistance to the local and/or state assistance it receives to determine its reporting requirement to LLA. There is also a document<sup>11</sup> on LLA's website that discusses how the receipt of federal funds by a nonprofit affects that nonprofit's reporting requirement to LLA. LLA staff can also assist a nonprofit in making that determination.

**Q.** What does “revenues and other sources” mean?

**A.** “Revenues and other sources” means all revenues from all sources that a local government agency and some quasi-public organizations receive, such as operating revenues, bond proceeds, insurance proceeds, and additions to agency funds.

**Q.** Are additions to fiduciary funds considered “revenues and other sources” for the purposes of determining a local government’s and some quasi-public organization’s reporting requirement to LLA?

**A.** Yes.

**Q.** Does a nonprofit’s private funds need to be kept in a separate bank account in order not to be considered commingled with its public funds?

**A.** Not usually. Nonprofits need to keep their private funds and public funds separated in its accounting records in order for the funds not to be considered to be commingled; but there is no need to keep public and private funds in separate bank accounts unless specifically required as a condition of a grant.

**Q.** What is a sworn financial statement?

**A.** A sworn financial statement is the annual financial report a local auditee provides to LLA if it receives \$75,000 or less in revenues and other sources/local and state assistance in any one fiscal year. The financial statement forms may be found on LLA’s website; and consist of basic financial statements, and a notarized affidavit that states that the financial statements are true and correct, and the local auditee received \$75,000 or less in revenues during the year.

**Q.** Why does a CPA who performs an audit or review/attestation engagement need to be independent, but a CPA who performs a compilation engagement does not?

**A.** An audit or review/attestation report includes the CPA’s report that offers certain assurances about the correctness and completeness of the local auditee’s financial statements. If the CPA who signs these reports is not independent regarding the local auditee, and the audit or review report states that the financial statements are correct, there may be a question in the minds of persons relying on the report as to whether the CPA slanted his or her assurances to put the agency in a favorable light. The assurances in the CPA’s report would not be worth very much. That is why a CPA must be independent

to perform these engagements.

A compilation report also includes the CPA's report, but the report states that the CPA gives no assurance regarding the financial statements. Therefore, a CPA does not have to be independent to perform a compilation engagement. For additional information, see Independence of the CPA Firm Performing the Audit<sup>12</sup>.

**Q.** I am a local auditee that normally receives less than \$500,000 in public funds. This year, due to an unusual transaction, we received slightly more than \$500,000 in public funds. Must we provide for an audit in the year of the unusual transaction?

**A.** Yes. A local auditee must provide for an annual financial report that is commensurate with the amount of revenues and other sources/local and state assistance that that they received during the fiscal year. If that amount equals or exceeds \$500,000, the local auditee must provide for audited financial statements for that fiscal year, even if the reason that revenues equal or exceed \$500,000 was unusual and is not expected to reoccur.

**Q.** My nonprofit received a grant from a Louisiana state government agency, and also received a federal grant directly from the federal government. Are the federal funds included in the calculation for the purposes of determining my agency's reporting requirement to LLA?

**A.** Yes. Once a nonprofit agency receives or expends any local or state assistance in any fiscal year, it must include any direct federal funds it receives in order to determine its reporting requirement to LLA.

A nonprofit that receives only direct federal funds, and no local or state assistance, is not required to report to LLA.

**Q.** My nonprofit agency receives less than \$200,000 in revenue and other sources annually, and is required by the audit law to provide for compiled financial statements. However, we wish to provide for an audit that is not performed in accordance with generally accepted government auditing standards (GAGAS). May we do so?

**A.** The audit law requires that local auditee audit and review/attestation engagements be performed in accordance with GAGAS; but LLA allows local auditees that are required to provide for a compilation report or sworn financial statements to submit an audit or review report that is not performed in accordance with GAGAS. The reason is that a CPA gives no assurance in a compilation report or sworn financial statements as to whether the financial statements are materially correct. An audit or review engagement that is not performed in accordance with GAGAS still gives assurance on the numbers in the financial statements, and is therefore a report at a higher level of assurance than a statutorily required compilation report or sworn financial statements.

**Q.** I work for a local auditee that does not have the money to hire a CPA to perform its statutorily required audit engagement. Will LLA perform my audit at no charge?

**A.** A local auditee that cannot pay for its statutorily required audit and wishes LLA to perform it must

make a written request to the Legislative Audit Advisory Council<sup>13</sup>. However, due to limited staff, LLA may not be able to perform the audit.

**Q.** My local auditee's records were destroyed in a fire. Are we still required to provide for our statutorily required report to LLA?

**A.** LLA has no authority to waive a local auditee's reporting requirement. However, a local auditee whose records have been destroyed may be asked to provide an alternative type of report – for example, a compilation report instead of a statutorily required audit; or an affidavit to LLA affirming that they will not be able to provide their statutorily required report. The alternative report will be accepted in lieu of the local auditee's statutorily required report, and will be issued as a public document on LLA's website in order to maintain a complete record of the local auditee's annual financial report. Please see [What Do I Do If My Agency's Records Are Destroyed?](#)<sup>14</sup> for further information.

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1030-does-my-agency-need-to-report-to-the-legislative-auditor>
3. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1050-what-is-an-audit>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1050-auditing-standards-and-the-difference-between-gaap-gaas-and-gagas>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1081-special-reporting-housing-authorities>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1090-special-reporting-justices-of-the-peace-and-constables>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1110-choosing-a-cpa-firm>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1110-quasi-public-organizations>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
11. [https://app.lla.state.la.us/lla/nsf/7A67533361A2DA49862581E7005CCC6A/\\$FILE/White%20Paper%20-%20Federal%20Funds%20&%20Audit%20Law.pdf](https://app.lla.state.la.us/lla/nsf/7A67533361A2DA49862581E7005CCC6A/$FILE/White%20Paper%20-%20Federal%20Funds%20&%20Audit%20Law.pdf)
12. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1100-independence-of-the-cpa-firm-performing-the-audit>
13. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1060-legislative-audit-advisory-council>
14. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1215-what-do-i-do-if-my-agencys-records-are-destroyed>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### What Is An Audit? ( 500-1050 )

An audit is the systematic examination and verification of the accuracy and completeness of information presented in an entity's financial statements by a certified public accountant (CPA).

During an audit, the CPA tests samples of transactions that occurred during the entity's fiscal year. The CPA tests not only the amounts entered into the system, but the controls the entity has put in place to make sure that the financial statements are complete and correct. The CPA applies or projects the results of the tests to the entire population of transactions upon which the sample is based. This allows the CPA to determine, within a reasonable degree of certainty, whether the financial statements are materially correct.

Audit reports include a report, prepared by the CPA and referred to as the auditor's opinion, that states whether the auditor believes the financial statements are materially correct.

Most of the local auditee<sup>1</sup> audits submitted to the Louisiana Legislative Auditor are performed in accordance with generally accepted government auditing standards<sup>2</sup>. An audit performed in accordance with government auditing standards includes another report (the *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*), also prepared by the CPA, that describes any significant deficiencies or material weaknesses the auditor found in the local auditee's internal controls, and any instances in which the local auditee did not comply with laws and regulations that are important or material for the local auditee to follow. This report is required by government auditing standards, which are promulgated in a document that is referred to as the Yellow Book; so this report is often called the Yellow Book report.

If the local auditee expended \$750,000 or more in federal funds, the CPA includes another report in the audit report (the *Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance*), that is often referred to as the Single Audit Report. The Single Audit report is similar to the Yellow Book report, but pertains to the tests the CPA performed on the federal funds the local auditee expended during the year.

There are differences or an *expectation gap* regarding what the users of audited financial

statements believe that a CPA is responsible for when they perform an audit, and what the CPA is actually responsible for. For example, an audit with a clean or unmodified opinion and no findings – Does not ensure that there are no errors in the financial statements  
Does not ensure that the CPA found all instances of misappropriations or fraud that occurred during the year

It is the CPA's responsibility to plan and perform his or her audit to obtain reasonable (but not absolute) assurance that the local auditee's financial statements are free of material misstatement, whether caused by error or fraud. However, the CPA does not test every transaction that a local auditee entered into during a fiscal year. Testing every transaction is usually not necessary, and would cost most local auditees more than would be gained by performing such tests.

Persons who misappropriate funds often find ways to circumvent normally adequate controls and hide their activities in such a way that makes them difficult to detect. And, if two persons employed by a local auditee conspire or collude in an effort to misappropriate funds, or if the local auditee's management is involved in the misappropriation, normally adequate controls may be overridden in a manner that may be almost impossible to detect by an auditor.

When errors or fraud occurs, a common public reaction is to ask, why didn't the auditor catch it? A more appropriate question to ask is, *what did the local auditee do to prevent the errors and fraud from occurring in the first place?*

Did the local auditee identify the weak or risky areas in the receipt of cash and expenditure of funds that would make it possible for errors and fraud to occur? And, did they put deterrents or internal controls<sup>3</sup> in place to ensure that it would be more difficult for errors and fraud to occur and not be caught?

When errors or fraud occur, the primary responsibility rests with the person who made the error or committed the fraud. Secondly, it is the responsibility of the local auditee's management, not the auditor, to assess the risk that errors in the financial statements and fraud will occur, and to put controls in place to prevent them from occurring.

## **QUESTIONS:**

**Q.** If an auditor performs tests of transactions and finds out that some errors have been made; or that fraud may have occurred, what happens then?

**A.** The auditor is required by professional auditing standards to look further into any errors or

suspected fraud found in the sample of transactions tested. Depending upon the amount and type of error found, the auditor may be required to test more transactions to determine whether the error or matter of fraud was isolated, or whether more errors and/or fraud occurred. Then, the auditor must determine whether, in the auditor's professional judgment, the errors and/or fraud they found indicate that the financial statements are not to be trusted or relied upon. Based on all of this information, the auditor may not be able to render a clean or unmodified opinion on the financial statements. See also [Types of Auditors' Opinions](#)<sup>4</sup>.

**Q.** If a CPA cannot give absolute assurance that financial statements are error-free, or that no fraud occurred, what good are audited financial statements?

**A.** In order for an auditor to verify that financial statements are error-free, and that no fraud occurred, he or she would have to observe, in real time, all the financial transactions that occurred during a given year.

For example, the auditor of a municipality would need to be present to observe when a police officer writes a traffic ticket; when the clerk accepts the money from the person who comes into town hall to pay the fine; and when the town's accounting personnel prepare the deposit slip, bring the money to the bank, and record the transaction in the town's books and records.

Multiply the steps in this one transaction by the thousands of transactions a municipality enters into during the year, and multiply that by the more than two thousand local government and quasi-public organization audits that are performed in Louisiana during the course of a year, and it is easy to see what an impossible task this is.

The fact that an audit cannot be made perfect does not mean that an audit report is not a useful document. Reporting and auditing standards have evolved over the last four decades to ensure uniformity and comparability in audit reports. A properly performed audit, while imperfect, is still a valuable tool to determine if an entity's financial statements are materially correct, and whether material instances of fraud or misappropriations have occurred.

**Q.** I understand that because a CPA tests a sample of transactions, and not all of them, they may not catch immaterial errors in the financial statements, or immaterial instances of fraud. Are there repercussions for an auditor who does not catch material errors in the financial statements, or fails to report material fraud in an audit report?

**A.** A CPA is bound by auditing standards to perform his or her audit to obtain reasonable (not absolute) assurance that the local auditee's financial statements are free of material misstatement, whether caused by error or fraud. If LLA determines that a CPA missed a material error in the financial statements or material fraud in one of their audits, LLA reviews the CPA's work to

determine whether the CPA performed the audit in accordance with the standards. If it is found that the CPA did not do so, LLA requires that the CPA undergo certain remedial actions as a condition of continuing to perform the audits of local auditees. If the CPA continues to have performance problems, LLA takes further disciplinary actions, up to and including suspension of the CPA firm.

**Q.** How can an auditor render a clean opinion on financial statements that report fraud or misappropriations?

**A.** An auditor expresses an unmodified opinion when he or she concludes that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. The reporting of immaterial fraud or misappropriations would usually not cause financial statements to be materially misstated; nor would the reporting of material fraud or misappropriations, if correctly reported. See also [Types of Auditors' Opinions](#)<sup>4</sup>.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1050-auditing-standards-and-the-difference-between-gaap-gaas-and-gagas>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1240-internal-controls>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1160-types-of-auditors-opinions>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Generally Accepted Accounting Principles ( 500-1060 )

**Generally accepted accounting principles or GAAP** are the minimum standards and guidelines for financial accounting and reporting.

Different standards setting bodies establish GAAP for different types of entities. The **Governmental Accounting Standards Board or GASB** sets GAAP for **state and local governmental entities**. The **Financial Accounting Standards Board or FASB** sets GAAP for all **non-governmental entities, including nonprofit organizations**.

Reporting in accordance with GAAP ensures consistency and comparability among like entities. The audit report of a department store should include the same types of information as the audit report of another department store; and the audit report of a city should include the same types of information as the audit report of another city.

However, the audit report of a department store would not look like the audit report of a city; nor should it. This is because the purpose and activities of a department store are not the same as those of a city. The audit reports of local government agencies<sup>1</sup> and nonprofits<sup>2</sup> will also look different.

The audit law<sup>3</sup> (Louisiana Revised Statute 24:514<sup>4</sup>) requires the reports of local auditees<sup>5</sup> to be prepared in accordance with GAAP. There is an exception in the law for local auditees that, under Louisiana law, cannot issue bonds.

#### QUESTIONS:

**Q.** What is the difference between generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS).

**A.** **Generally accepted accounting principles** pertain to how a local auditee's financial statements are prepared. **Generally accepted auditing standards** pertain to how those financial statements are audited by an independent certified public accountant (CPA).

A local auditee must follow **generally accepted accounting principles** when they prepare their financial statements. A CPA must follow **generally accepted auditing standards** when they perform an audit.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1080-reporting-for-local-governments>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1090-reporting-for-nonprofits>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
4. <http://legis.la.gov/Legis/Law.aspx?d=84131>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Generally Accepted Auditing Standards And Generally Accepted Government Auditing Standards ( 500-1070 )

The American Institute of Certified Public Accountants (AICPA) establishes the minimum standards certified public accountants (CPAs) must follow when they perform any audit In the United States. These standards are promulgated through the AICPA's *Statements on Auditing Standards* or SAS's; and are referred to as **generally accepted auditing standards or GAAS**.

Auditing standards have evolved over the last four decades to ensure consistency and uniformity in the performance of audits.

The US Government Accountability Office (GAO) establishes the standards CPAs must follow when they perform the audits of state and local governments, and non-governmental organizations that receive government funds. GAO auditing standards are promulgated in the publication *Government Auditing Standards*; and are referred to as **generally accepted government auditing standards or GAGAS**. The book in which these standards are promulgated has a bright yellow cover, so Government Auditing Standards are often referred to as "Yellow Book standards."

CPAs that perform audits of local auditees<sup>1</sup> in Louisiana must follow the auditing standards promulgated by both the AICPA **and** the GAO.

If the local auditee expended federal funds of \$750,000 or more, the CPA must also follow the audit requirements of the US Office of Management and Budget publication *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Additional procedures are performed during a Uniform Guidance audit to determine whether the expenditure of federal funds was done in accordance with federal law.

#### QUESTIONS:

**Q.** What is the difference between generally accepted auditing standards and generally accepted accounting principles?

**A.** **Generally accepted accounting principles** pertain to how a local auditee's financial statements are prepared. **Generally accepted auditing standards** pertain to how those financial statements are audited by a CPA.

A local auditee must follow **generally accepted accounting principles** when they prepare their

financial statements. A CPA must follow **generally accepted auditing standards** when they perform an audit.

**Q.** What is the difference between an audit performed in accordance with generally accepted auditing standards (GAAS) and an audit that is performed in accordance with generally accepted government auditing standards (GAGAS)?

**A.** An auditor who performs an audit in accordance with GAGAS follows both generally accepted auditing standards (GAAS) and those standards promulgated by the GAO in *Government Auditing Standards*; also referred to as the Yellow Book. The Yellow Book requires the auditor to prepare a report that is issued with the audited financial statements on the auditor's consideration of the agency's internal control over financial reporting, and the results of the auditor's tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. This report is called the *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*. If findings are noted, a schedule of findings accompanies the report. An audit that is performed in accordance with GAAS does not include a Yellow Book report or schedule of findings.

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Reporting For Local Governments ( 500-1080 )

The Governmental Accounting Standards Board (GASB) establishes generally accepted accounting principles<sup>1</sup> (GAAP) for state and local governmental entities.

The audit law<sup>2</sup> (Louisiana Revised Statute 24:514<sup>3</sup>) requires the reports of local governments to be prepared in accordance with GAAP. There is an exception in the law for local governments that, under Louisiana law, cannot issue bonds.

Local governments report in accordance with GAAP to ensure consistency and comparability between their financial statements and those of other entities with similar characteristics. For example, the financial statements of a town should have similar elements to the financial statements of other towns.

The financial statements of most local governments include the following elements:

**1. Government-wide financial statements**, which have these characteristics:

Are comprised of the statement of net position, which shows the balances of the local government's asset, liability, and equity accounts as of the last day of the fiscal year; and the statement of activities, which shows the accumulation of the financial activity that occurred in the local government's revenue and expense accounts during the year

Are presented on the accrual basis, which means that all revenues earned and expenses incurred by the local government are included in the financial statements, regardless of when the actual cash was received or expended by the local government. For example, a utility district would include in its current year revenue the utility bills it sends out on the last day of its fiscal year, regardless of when it expects the bills to be paid by its customers. This is the same way that private businesses report.

Divides the financial activity between that which is associated with services traditionally provided by government, such as police and fire protection (referred to as governmental activities), and the financial activity that is associated with activities of the government that are financed, in whole or in part, by fees charged to customers (referred to as business-type activities).

Includes the financial activity of the local government's component units<sup>4</sup>

**2. Fund financial statements**, which have these characteristics:

Are comprised of the balance sheet and the statement of revenues, expenditures, and changes in fund balance. These are the disaggregated funds that are rolled up, with adjustments, into the

### **government-wide financial statements.**

- The balance sheet in the fund statements corresponds to the statement of net position in the government-wide financial statements; and the statement of revenues, expenditures, and changes in fund balance corresponds to the statement of activities.

A reconciliation is presented in the local government's financial report between the government-wide and fund financial statements.

Like the government-wide financial statements, fund financial statements divide the financial activity between that which is associated with services traditionally provided by government, and the financial activity that has more of the characteristics of a business (proprietary or enterprise funds)

Are presented on the modified accrual basis, which means that revenues and expenditures are included if they meet certain criteria for recognition

3. Notes to the financial statements. This is additional information regarding the numbers in the financial statements and other matters that the local government is required by GAAP to disclose, such as additional information about the bonded debt that the local government has issued

4. Management's discussion and analysis. This is a narrative that summarizes and analyzes the information in the local government's financial statements, and gives additional information about the financial outlook for the government

There may also be fiduciary fund financial statements (if the government holds money in a fiduciary or custodial capacity on behalf of another party); and/or supplementary or additional information in the financial statements.

The information in the financial statements is derived primarily from the local government's financial records. Louisiana Revised Statute 24:515<sup>5</sup> authorizes the Louisiana Legislative Auditor (LLA) to prescribe the form in which a local government's financial records are to be kept. This uniform chart of accounts<sup>6</sup> is available on LLA's website, and should be used as a basis for developing the chart of accounts specific to each local government.

### **QUESTIONS:**

**Q.** Why do local government reports have two different sets of financial statements on two different bases?

**A.** Local government reports used to include fund financial statements only, and were presented on a modified accrual basis – that is, only currently available revenue, and expenditures that were to be paid out of the currently available revenue, were included in the financial statements.

GASB Statement 34, which was implemented in the late 1990's and early 2000's, required local governments to report on the full accrual basis, which is how private businesses report. These full accrual basis statements are called the government-wide statements.

The fund financial statements on which local governments had traditionally reported were still considered to be useful, and were therefore not eliminated when GASB 34 was implemented.

**Q.** Why do the financial statements of a local government need to look different from the financial statements of a business enterprise? Wouldn't it be better if governments acted like businesses, beginning with the way they report?

**A.** There are several reasons that a local government's financial statements should look different from those of a business enterprise:

The purpose and focus of a business enterprise is making a profit; the purpose and focus of most local governments is to take in enough revenue to fund its operations, and to maintain a modest reserve in case of emergencies.

The concept in the first bullet means that the same factors that would signal financial health for a business enterprise (such as a substantial increase in equity accounts) may be an indication that a local government is charging too much for its services.

Most of the revenues that a business enterprise receives are given to it voluntarily; much of the revenues that a local government receives are not.

Public scrutiny requires additional disclosures in local government reports, as is apparent if a comparison is made between notes to the financial statements of a local government report and the financial statements of a business enterprise.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
3. <http://legis.la.gov/Legis/Law.aspx?d=84131>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1150-component-units>
5. <http://legis.la.gov/Legis/Law.aspx?d=84132>
6. <https://www.lla.la.gov/documents/best-practices/chart.pdf>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Reporting For Nonprofits ( 500-1090 )

The Financial Accounting Standards Board (FASB) establishes generally accepted accounting principles<sup>1</sup> (GAAP) for all nongovernmental entities, including nonprofits.

Nonprofit organizations are defined by FASB as entities that have these characteristics:

Receive contributions of significant resources from providers who do not expect a commensurate or proportionate monetary return

Operate for purposes other than to make a profit

Have an absence of ownership interests (like those of business entities)

Nonprofit organizations include –

Civic and community organizations

Cultural organizations

Performing arts organizations

Private and community foundations

Public broadcasting stations

Religious organizations

Research and scientific organizations

Voluntary health and welfare organizations

Nonprofits report in accordance with GAAP to ensure consistency and comparability between their financial statements and those of other nonprofits. The financial statements of two nonprofit organizations may not be identical, but will have similar elements.

The financial statements of most nonprofits include the following elements:

A statement of financial position, which shows the balances of the nonprofit's asset, liability, and equity accounts as of the last day of the fiscal year

A statement of activities, which shows the accumulation of the activity that occurred in the nonprofit's revenue and expense accounts during the year

A cash flow statement, which summarizes the sources and uses of the nonprofit's cash during the year

Notes to the financial statements. This is additional information regarding the numbers in the financial statements and other matters that the nonprofit is required by GAAP to disclose, such as

additional information about any debt the nonprofit has issued

Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14<sup>2</sup> enacted significant changes to the financial reporting model for nonprofits; including the requirement for all nonprofits to report their expenses by both natural and functional expense classifications.

Prior to the implementation of ASU No. 2016-14, only voluntary health and welfare organizations were required by GAAP to present the allocation of their expenses by natural classifications among the functions of the nonprofit. Now all nonprofits are now required to present this disaggregated expense information in their financial statements.

Examples of natural expense classifications include salaries and wages, employee benefits, professional services, supplies, interest expense, rent, utilities and depreciation. Examples of functional classifications include program services and supporting services. This information may be presented on the face of the statement of activities; as a schedule in the notes to the financial statements; or in a separate financial statement.

ASU No. 2016-14 is effective for financial periods with fiscal years beginning after December 15, 2017; and for interim periods within fiscal years beginning after December 15, 2018.

## **QUESTIONS:**

**Q.** Why do nonprofit reports look so different than local government reports?

**A.** Nonprofits have certain characteristics that local governments do not:

Much of the revenue received by a nonprofit is voluntarily given in the form of donations by contributors. Most local governments do not receive significant amounts of donations, and much of the revenue received by a local government is **not** voluntarily given.

Although donors do not expect an equal return from the nonprofit for their contributions, donors may place conditions or restrictions upon their contributions. These restrictions may be either something external to the nonprofit (such as the passage of time); or a requirement that the nonprofit itself must fulfill (such as the expenditure of the funds in a certain manner prescribed by the donor), that must occur before the contribution may be recognized as revenue by the nonprofit. Therefore, a nonprofit that receives donations may have restricted and unrestricted components in its financial statements.

For these and other reasons, a nonprofit report will not look the same as the report of a local government. However, it will have the same elements as the report of other nonprofits.

**Q.** Do all nonprofit organizations in Louisiana report to the Louisiana Legislative Auditor (LLA)?

**A.** Nonprofit organizations must report to LLA if they meet the criteria in Louisiana Revised Statute 24:513 (A) (1) (b). If they do not meet these criteria, they are not required to report to LLA.

Louisiana nonprofits that are not required to report to LLA may still have a reporting requirement to other oversight authorities, such as the Louisiana Secretary of State, or the Federal Internal Revenue Service.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
2. [https://www.fasb.org/jsp/FASB/Document\\_C/DocumentPage?cid=1176168381847&acceptedDisclaimer=true](https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168381847&acceptedDisclaimer=true)

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Independence Of The CPA Firm Performing The Audit ( 500-1100 )

CPA firms are required by professional standards to maintain independence regarding their clients. The reasons for this are not hard to understand. No one would be able to rely on an audit report if, for example, the CPA performing the audit was the son of the auditee's chief executive officer.

Auditors and audit organizations (CPA firms) must maintain independence so that their opinions, conclusions, judgments and recommendations will not only be impartial, but will be viewed as impartial by reasonable and informed third parties.

A threat to a CPA's independence comes from one of two areas:

A situation that could affect the auditor's ability to conduct the engagement without being affected by influences that compromise professional judgment (independence in fact)

A situation that could expose the auditor to circumstances that would cause a reasonable and informed third party to conclude that the integrity, objectivity, or professional skepticism of the auditor, or the organization the auditor works for, has been compromised (independence in appearance).

A CPA firm must make an assessment, before accepting each audit engagement, to determine whether any relationships or other conditions exist that may be an impairment or threat to their firm's independence.

If the CPA firm determines that threats exist, the firm must then determine whether these threats can be overcome by putting appropriate safeguards in place to reduce the threats to a level that would allow them to maintain their independence. Examples of safeguards may include removing a staff member with an independence threat from the audit engagement, or having another CPA firm review the audit work performed.

If the threats to a firm's independence cannot be overcome by appropriate safeguards, the CPA firm cannot accept the engagement. If the threat is identified after the engagement has commenced, the CPA firm must withdraw from the engagement.

A CPA firm cannot enter into an engagement with a pre-conceived notion that the local auditee<sup>1</sup> is doing everything right; or that they will issue a clean or unmodified opinion and write no findings no

matter what they discover. It also means that the CPA cannot enter into the engagement with a pre-conceived notion that the local auditee is doing everything wrong. Going into an engagement with either attitude impairs the independence of the CPA firm.

The CPA firm that performs a local auditee's audit will not be able to perform certain non-audit services for the local auditee. The CPA firm may make recommendations to the local auditee, but may not implement the recommendations for the local auditee. The CPA firm may propose adjustments to a local auditee's financial statements, but may not post the adjustments into the local auditee's books and records without the approval of the local auditee's management. The CPA firm may not make decisions that should be made by the local auditee's management, and still remain independent to perform the audit.

The Louisiana Legislative Auditor (LLA) will not approve an audit or review/attestation engagement of a CPA firm if LLA has valid reason to believe that the CPA firm is not independent regarding the local auditee. A CPA firm is not required to be independent to perform a compilation engagement.

## **QUESTIONS:**

**Q.** The auditor of our city is the cousin of the public works director. Wouldn't that mean that he lacks independence regarding the city and cannot perform the audit?

**A.** The familial relationship you are describing, in and of itself, would not automatically compromise the CPA firm's independence regarding the city. However, the CPA would need to take the relationship, along with any other relevant circumstance (for instance, if the two are close friends or live in the same house) into consideration in order to determine if there is a threat to his or her independence before accepting the engagement. If a threat exists that cannot be overcome by appropriate safeguards, the CPA firm cannot accept the engagement.

**Q.** To whom should I direct my complaint if I believe that a local auditee's CPA firm has an independence impairment?

**A.** You can call LLA's Director of Local Government Services.<sup>2</sup>

**Q.** There is a finding in our school board's audit report stating that the financial statements are prepared by the CPA firm that performs the audit. I thought the financial statements were the responsibility of the school board. Wouldn't that mean that the CPA firm that performs the audit could not also prepare the school board's financial statements?

**A.** Preparing a local auditee's financial statements is among the non-audit services the CPA firm that is performing the audit may also do if there is a person within the local auditee organization who possesses suitable skill, knowledge, and expertise to oversee the work of the CPA. This person is not required to be able to prepare the financial statements, but must be able to accept

responsibility for them.

Although it is a common and accepted practice for the CPA firm that performs a local auditee's audit to also prepare its financial statements, the inability of a local auditee to prepare its own financial statements is considered to be a deficiency in the local auditee's internal control over financial reporting. If the CPA firm determines that this deficiency is significant or material to the local auditee's internal control over financial reporting, he or she is required by generally accepted auditing standards<sup>3</sup> to write a finding related to this condition.

**Q.** How can a CPA firm be independent if the local auditee pays them to perform their audit?

**A.** Abiding by independence and ethical standards, while accepting payment for their services, is a concept that is not limited to the CPA profession. CPA's are required to abide by the independence and ethics codes of the American Institute of Certified Public Accountants (AICPA) and the Government Accountability Office (GAO) if they expect to continue to practice.

**Q.** LLA is a state agency. How can it audit state agencies and maintain its independence?

**A.** LLA is careful to follow the independence requirements for audit organizations (like LLA) that are structurally located within government entities, found in Sections 3.52 - 3.55 of *Government Auditing Standards*<sup>4</sup> issued by the Government Accountability Office (GAO). For example, LLA does not audit other Louisiana legislative branch agencies; those audits are performed by approved CPA firms.

**Q.** Will LLA staff make a ruling on the independence of a CPA firm?

**A.** LLA staff may offer an opinion on a CPA firm's independence, but the CPA must make the ultimate determination of his or her independence, in accordance with Chapter 3 of *Government Auditing Standards*<sup>4</sup>. For definitive answers, LLA will refer the person to the GAO or the AICPA.

## **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1050-auditing-standards-and-the-difference-between-gaap-gaas-and-gagas>
4. <https://www.gao.gov/assets/gao-18-568g.pdf>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Choosing A CPA Firm ( 500-1110 )

CPA firms are required by professional standards to maintain independence regarding their clients. The reasons for this are not hard to understand. No one would be able to rely on an audit report if, for example, the CPA performing the audit was the son of the auditee's chief executive officer.

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A threat to a CPA's independence comes from one of two areas:

A situation that could affect the auditor's ability to conduct the engagement without being affected by influences that compromise professional judgment (independence in fact)

A situation that could expose the auditor to circumstances that would cause a reasonable and informed third party to conclude that the integrity, objectivity, or professional skepticism of the auditor, or the organization the auditor works for, has been compromised (independence in appearance).

A CPA firm must make an assessment, before accepting each audit engagement, to determine whether any relationships or other conditions exist that may be an impairment or threat to their firm's independence.

If the CPA firm determines that threats exist, the firm must then determine whether these threats can be overcome by putting appropriate safeguards in place to reduce the threats to a level that would allow them to maintain their independence. Examples of safeguards may include removing a staff member with an independence threat from the audit engagement, or having another CPA firm review the audit work performed.

If the threats to a firm's independence cannot be overcome by appropriate safeguards, the CPA firm cannot accept the engagement. If the threat is identified after the engagement has commenced, the CPA firm must withdraw from the engagement.

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matter what they discover. It also means that the CPA cannot enter into the engagement with a pre-conceived notion that the local auditee is doing everything wrong. Going into an engagement with either attitude impairs the independence of the CPA firm.

The CPA firm that performs a local auditee's audit will not be able to perform certain non-audit services for the local auditee. The CPA firm may make recommendations to the local auditee, but may not implement the recommendations for the local auditee. The CPA firm may propose adjustments to a local auditee's financial statements, but may not post the adjustments into the local auditee's books and records without the approval of the local auditee's management. The CPA firm may not make decisions that should be made by the local auditee's management, and still remain independent to perform the audit.

The Louisiana Legislative Auditor (LLA) will not approve an audit or review/attestation engagement of a CPA firm if LLA has valid reason to believe that the CPA firm is not independent regarding the local auditee. A CPA firm is not required to be independent to perform a compilation engagement.

## **QUESTIONS:**

**Q.** The auditor of our city is the cousin of the public works director. Wouldn't that mean that he lacks independence regarding the city and cannot perform the audit?

**A.** The familial relationship you are describing, in and of itself, would not automatically compromise the CPA firm's independence regarding the city. However, the CPA would need to take the relationship, along with any other relevant circumstance (for instance, if the two are close friends or live in the same house) into consideration in order to determine if there is a threat to his or her independence before accepting the engagement. If a threat exists that cannot be overcome by appropriate safeguards, the CPA firm cannot accept the engagement.

**Q.** To whom should I direct my complaint if I believe that a local auditee's CPA firm has an independence impairment?

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**Q.** There is a finding in our school board's audit report stating that the financial statements are prepared by the CPA firm that performs the audit. I thought the financial statements were the responsibility of the school board. Wouldn't that mean that the CPA firm that performs the audit could not also prepare the school board's financial statements?

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responsibility for them.

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**Q.** Will LLA staff make a ruling on the independence of a CPA firm?

**A.** LLA staff may offer an opinion on a CPA firm's independence, but the CPA must make the ultimate determination of his or her independence, in accordance with Chapter 3 of *Government Auditing Standards*<sup>4</sup>. For definitive answers, LLA will refer the person to the GAO or the AICPA.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
4. <https://www.gao.gov/assets/gao-18-568g.pdf>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Preparing For The Annual Audit – Tips On Keeping The Cost Of The Audit Down ( 500-1120 )

The audit law<sup>1</sup> (Louisiana Revised Statute 24:513<sup>2</sup> and 24:514<sup>3</sup>) requires all local auditees<sup>4</sup> to provide an annual financial report to the Louisiana Legislative Auditor (LLA). Local auditees in the state of Louisiana hire or engage a certified public accounting (CPA) firm that has been approved by LLA to perform the audit, review/attestation, or compilation engagement that results in the annual financial report that is submitted to LLA.

Being audited is a little like dental work – no one wants to have it done, it is sometimes painful, and it can be expensive. And like almost everything else, the cost of an audit continues to go up.

In order to keep audit costs down, local auditees must plan ahead and make it as easy as possible for the CPA to do his or her work in a timely manner. Here are some strategies to reduce the cost of your audit or other engagement.

- 1. Keep your books and records in good shape throughout the year.** Hire competent staff or hire a CPA firm to keep your books -but bear in mind, the responsibility for maintaining a local auditee's records lies with the management of the local auditee, no matter who keeps the books and records. Check periodically with the person keeping the books and records to make sure there are no problems that would delay or impede the audit.
- 2. Decide who will prepare your agency's financial statements.** If no one on your staff has the knowledge to prepare financial statements in accordance with generally accepted accounting principles<sup>5</sup>, you will need to decide how that will be accomplished. One option is to hire the CPA firm that performs your audit or other engagement to prepare the financial statements. You may also hire another CPA firm knowledgeable about this type of work to prepare them.
- 3. Start early.** Audit, review/attestation and compilation reports are due to LLA within six months after a local auditee's year end. Although the audit law requires that a local auditee engage the services of a CPA within sixty days after the local auditee's fiscal year end, the CPA firm the local auditee would like to hire may not be able to fit the local auditee's engagement into their schedule if they wait that long to engage them. This is because CPA firms often have their staff scheduled out several months in advance. A local auditee should therefore start the process of procuring the services of the CPA at least two months before their fiscal year end, with the goal of having a signed engagement agreement before their fiscal year end. See Choosing A CPA Firm.<sup>6</sup>
- 4. Consider bidding out your audit services.** Although there is no state law requiring a local

auditee to bid out its audit services, it is strongly recommended as an option to get a competitive cost for an audit. At the very least, a local auditee should get quotations for audit services from several CPA firms that are on LLA's approved list. A local auditee that decides to bid out its audit services should start the process at least three months before the end of its fiscal year.

**5. Know what the costs are up front.** After a CPA is selected, the local auditee and the CPA will sign an agreement that spells out the terms and conditions of the engagement. One of those terms and conditions should be the estimated cost of the engagement. A local auditee should not sign an engagement agreement that does not include the estimated cost of the engagement. There should also be a provision in the engagement agreement that states any increase in fees will be discussed with the local auditee and agreed to in writing before the additional work is performed.

**6. Get the list of records the CPA needs before commencement of the audit.** The CPA should provide the local auditee with a list of documents and other information (e.g., general ledger, trial balance, support for funds received and expenditures made, bank and account reconciliations, payroll and personnel records, board minutes, policies and procedures manuals, etc.) needed for the audit. If the CPA does not provide this list, the local auditee should ask for it. These documents should be obtained and put together in an organized manner prior to the commencement of fieldwork. If you do not understand an item on the list, ask the CPA for clarification.

**7. Talk to the CPA prior to the first day of fieldwork to coordinate the work to be performed with the records and personnel needed.** Although the list of documents and other information mentioned previously is a good starting point, it should **not** be considered all-inclusive. The local auditee should assume that the CPA will request other documents during fieldwork, and will have questions that need to be answered.

**8. The local auditee should designate a responsible person to be the contact person for the audit. This person should be available to the CPA as much as possible during the audit to answer questions and provide additional records.** If the CPA has to stop work in one area because the local auditee's personnel are not available to locate documents or answer questions, it may take him or her additional time to get back up to speed on the work already performed once the questions are answered. A CPA charges for the time spent on an audit, just as an attorney providing legal services would; and additional hours spent on an audit may result in additional costs to the local auditee.

**9. After field work is complete, the local auditee should respond to the CPA's requests for additional information; responses for findings, management letter comments, and exceptions noted, and corrective action plans for findings and management letter comments in a timely manner.** This will ensure that your report is submitted to LLA by the statutory due date.

**10. If you have followed these suggestions and still feel your audit fees are too high, talk to**

**the CPA.** There may be additional assistance you can provide to the CPA that will result in a lower fee. You may also want to contact other similarly sized agencies to see if the fees your CPA is charging are comparable to what other local auditees are being charged.

**11. Be reasonable about the true cost of the audit engagement to the local auditee.** A local auditee should keep in mind that an inexpensive audit is not necessarily a good audit, and may not result in savings to the local auditee. A CPA who charges more for his or her audit than other CPAs may also give valuable advice for improvements to the local auditee's operations during the course of the engagement. If your agency cannot afford to hire a professionally trained financial person to oversee its day-to-day operations, the extra fees charged by the CPA firm may be money well spent.

### **QUESTIONS:**

**Q.** Why are audit, review/attestation, and compilation engagements so expensive?

**A.** A principal reason these engagements are so expensive is the ever-increasing number of professional standards with which a CPA must comply in order to be able to sign the audit, review, or compilation report. The CPA must first become knowledgeable in the theory and application of these standards. Then the CPA must implement changes in his or her firm's administration in order to ensure that the firm complies with all of these standards on every engagement. This causes the CPA to spend more time on each engagement, which results in increasing costs for his or her services.

**Q.** Can LLA tell me how much a CPA firm should charge my agency for its audit?

**A.** The amount that a CPA will charge you for your agency's audit is based on the size of your agency, the complexity of its transactions, and the rates the CPA firm charges for its work. Although LLA cannot tell you what a CPA firm should charge you for your agency's audit, LLA staff can provide you with the actual engagement costs of other agencies' past audits on request.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <http://legis.la.gov/Legis/Law.aspx?d=84131>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1110-choosing-a-cpa-firm>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Performance Of The Audit ( 500-1130 )

You have signed an engagement agreement with a CPA firm from the Louisiana Legislative Auditor's (LLA's) approved list to perform your agency's statutorially required audit, review/attestation, or compilation engagement. Your records are in order; you may have already brought some of them to the CPA firm. You have assigned an agency liaison to facilitate the engagement, and have ensured that the person will be available during the time that the CPA will be on site.

Now you want to know:

***How will I know when the engagement has officially started?*** Although the CPA firm may have performed some preliminary work on your agency's audit at their office, the actual work on an audit or other engagement, referred to as the **fieldwork**, begins with a meeting called the **entrance conference**. During the entrance conference, your agency's staff will be introduced to the CPA firm's staff that will be performing the engagement. You will be given the chance to ask questions, and you may be asked questions by the firm. The auditor-in-charge or AIC will be able to tell you at the entrance conference if the actual field work will begin immediately after the entrance conference, or at a later date. You will be expected to provide sufficient space at your agency's office for the CPA firm staff that will be performing the audit.

***What other information will the CPA need?*** The AIC should have provided you with a list of records and documents that will be needed to perform the audit. If they did not, ask them for the list before the entrance conference. Although this list should be fairly comprehensive, you should expect that the CPA will request additional documents, and will ask additional questions, before the audit is completed. It is a good idea to keep a log of original documents that you provide to the CPA, to ensure that you know where all your documents are and that they are returned to you. As an example of documents and schedules that your AIC may ask you to provide, there is a sample schedule under the Best Practices, Example Documents and Templates section of the website called, Sample Provided by Client (PBC) List.<sup>1</sup>

It is also a good idea to keep the prior year records handy in the event that the CPA needs to check on something that occurred in the previous year.

***How long will it take for the CPA to perform the engagement?*** The AIC should be able to give you a preliminary estimate of the time it will take to perform the fieldwork on the audit at the entrance conference; and will give you updates as fieldwork progresses.

***How will I know when fieldwork has been completed?*** After the fieldwork has been completed, you will have another meeting with the CPA, called the **exit conference**. At the exit conference, the AIC will discuss:

Any adjustments he or she is proposing to the financial statements.

The type of opinion that will be rendered on the financial statements (if an audit was performed)

Any findings that will be included in the report.

At the exit conference, the AIC will either have a copy of the report for you to review and sign off on, or will be able to give you an estimate of how long it will take to complete the report package. The AIC will ask you for a written response to any findings in the report. And, the AIC will ask you to sign and date the management representation letter<sup>2</sup>.

At this point it would be a good idea for you discuss with the auditor-in-charge what went well with the performance of the engagement, as well as what could have gone better; and to make notes for reference next year.

***How long will it be before the report is submitted to LLA?*** The AIC should be able to give you an estimated date at the exit conference, and should update you on the progress until the report is submitted.

***What do I do if there are problems with the CPA firm or the engagement in general?***

Problems encountered on the audit should be referred to LLA's Engagement Manager. For additional information, see Disputes Between the Local Auditee and Their Auditor.<sup>3</sup>

## **QUESTIONS:**

**Q.** I have hired a CPA firm to perform my agency's statutorily required audit. The CPA will not respond to my requests to start the audit. It is getting close to the due date of the report. What should I do?

**A.** Contact LLA's Local Government Services Engagement Manager<sup>4</sup>. LLA's staff will contact the CPA and instruct him to make arrangements with you to begin the audit. If the CPA does not respond to LLA's requests, the engagement will be cancelled, and you will be asked to retain the services of another CPA firm to perform the engagement, and to file an extension request<sup>5</sup> for the

report.

**Q.** The CPA who is performing my agency's audit is asking for a lot of information that I don't think pertains to my financial statements. Must I give these items to him?

**A.** A CPA's main responsibility during an audit is to determine whether an agency's financial statements are materially correct. In order to make that determination, a CPA will look at information that may not appear to be related to the financial statements. In addition, a CPA performing an audit under *Government Auditing Standards*<sup>6</sup> is required to test the agency's compliance with laws and regulations. Because the CPA is the one who is performing the audit and is the one who has to sign the audit report, LLA will generally not overrule the CPA's professional judgment in choosing the documents he or she chooses to review. The agency is always free to call LLA's Engagement Manager <sup>4</sup>to discuss any concerns about the performance of the audit.

**Q.** Should I be worried if the CPA keeps asking me questions about a particular transaction?

**A.** If a CPA asks numerous questions about a transaction, it may be a good idea for you to ask what their concern is. It may be that the transaction is unusual, and/or you have not provided a key document that they need to complete their testing of the transaction.

**Q.** The CPA who is performing my agency's audit is asking for information that was not on the list of records he requested when I signed the engagement agreement. Shouldn't the auditor have known what records he would need before the engagement started?

**A.** An auditor should give the agency a list of records and other information he or she needs before the audit begins. However, it is normal for questions to arise during the performance of an audit that make it necessary for the auditor to obtain additional information. The agency should provide the CPA with the additional records he or she requests in a timely manner.

**Q.** The CPA is asking me to make adjustments to the financial statements. What will happen if I don't make these adjustments?

**A.** The CPA "owns" five components of an agency's annual financial report –

The auditor's opinion; or the accountant's review or compilation report

The *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* (Yellow Book report), which is included with an agency's audit report If the audit is performed under Government Auditing Standards. A comparable document in a review/attestation engagement is the independent accountant's report on applying agreed-upon procedures.

The *Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance* (Single Audit Report), which is included with an agency's annual financial report if the agency expended \$750,000 or more in federal funds during their fiscal year

Findings<sup>7</sup> related to the Yellow Book report, Single Audit report, or agreed-upon procedures report  
Management letter comments<sup>8</sup> related to less material findings that the CPA feels need to be brought to the attention of the agency

The agency owns the rest of the information in its annual financial report. If the agency does not want to make the changes the CPA is proposing to its financial statements it certainly may; but it needs to understand that the CPA may be required to make a note of this in their auditor's opinion or accountant's review or compilation report. LLA may also ask the CPA to prepare a finding or management letter comment if the agency's refusal to make an adjustment causes its financial statements not to be in accordance with generally accepted accounting principles<sup>9</sup>.

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/best-practices>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1170-management-representation-letters>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1290-disputes-between-the-local-auditee-and-their-auditor>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1210-extension-requests>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1210-writing-findings>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1180-findings-and-management-letter-comments>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>

*NB: This document is the current version as of 05-01-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Louisiana Compliance And Attestation Questionnaires ( 500-1140 )

Local government agencies and quasi-public organizations (local auditees<sup>1</sup>) provide annual financial reports to the Louisiana Legislative Auditor (LLA) (see What Kind of Report Does My Agency Need to Provide to the Legislative Auditor?<sup>2</sup>).

Local auditees that receive \$500,000 or more in revenues and other sources (local government agencies and some quasi-public organizations) or local and/or state assistance (nonprofits) annually must provide for audited financial statements. The majority of audits submitted to LLA are performed under generally accepted government auditing standards<sup>3</sup> or GAGAS. GAGAS requires the CPA performing the audit to test the local auditee's compliance with certain provisions of laws, regulations, contracts, and grant agreements; and to report upon the results of these tests in the *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*.

Louisiana Compliance Questionnaires (for governmental agencies<sup>4</sup>, quasi-public agencies<sup>5</sup>, and charter schools<sup>6</sup>) are used by the CPA in local auditee audit engagements as one of the tools to determine the laws, regulations, contracts and grant agreements to test during the audit; and to obtain management's representation as to whether they have complied with these laws and regulations. These questionnaires provide a list of Louisiana laws that are material to the financial statements of local auditees (material means it is important for local auditees to follow these laws and regulations). They provide spaces for the local auditee to check, indicating that the agency has or has not complied with each of the laws and regulations, or if it is not applicable to their agency; and a space for the agency to date and sign the questionnaire. Different compliance questionnaires are available for local governments, quasi-public organizations, and charter schools.

Local auditees that receive between \$200,000 and \$499,999 of revenues and other sources (local and/or state assistance) annually must provide for reviewed financial statements, and a report, prepared by the CPA firm that performed the review, with the results of the CPA's tests of laws and regulations that have been determined to be material to the local auditee's financial statements.

Louisiana Attestation Questionnaires (for governmental agencies<sup>7</sup>, quasi-public agencies<sup>8</sup>, and charter schools<sup>9</sup>), which are similar to Louisiana Compliance Questionnaires, are available on

LLA's website for use in review/attestation engagements. Like the Louisiana Compliance Questionnaires, there are also different attestation questionnaires for the review/attestation engagements of local governments, quasi-public organizations, and charter schools.

The local auditee prepares and signs the compliance or attestation questionnaire, and the local auditee board (if applicable) adopts it in an open meeting. The local auditee then provides the questionnaire to their CPA at the start of the engagement. The CPA bases his or her tests of compliance on the local auditee's responses on the questionnaire.

The CPA retains the compliance/attestation questionnaire with their audit/engagement documentation. It is not necessary for the local auditee to provide the questionnaire to LLA.

### **QUESTIONS:**

**Q.** Is there a compliance or attestation questionnaire used in a compilation engagement?

**A.** No. The CPA does not perform tests of compliance in compilation engagements, and therefore does not use a compliance questionnaire.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1040-what-kind-of-report-does-my-agency-need-to-provide-to-the-legislative-auditor>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1050-auditing-standards-and-the-difference-between-gaap-gaas-and-gagas>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1090-louisiana-compliance-questionnaire-governmental-agency>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1110-louisiana-compliance-questionnaire-quasi-public-agency>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1120-louisiana-compliance-questionnaire-charter-school>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1130-louisiana-attestation-questionnaire-governmental-agency>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1140-louisiana-attestation-questionnaire-quasi-public-agency>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/600-1150-louisiana-attestation-questionnaire-charter-school>

*NB: This document is the current version as of 04-13-2022.*



## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Component Units ( 500-1150 )

It is a common practice for local government agencies like parish governing authorities<sup>1</sup>, municipalities<sup>2</sup>, and housing authorities<sup>3</sup> to create special service districts<sup>4</sup> and quasi-public organizations<sup>5</sup> to facilitate certain public services, subject to the oversight of the local government agency that created them.

These legally separate entities may be determined to be **component units** of the oversight or primary government if at least one of the following criteria set forth in Governmental Accounting Standards Board (GASB) Statement Number. 14, *The Financial Reporting Entity*, as amended, applies:

The primary government appoints a voting majority of the entity's governing body, and is either able to impose its will on the entity or there is a potential financial benefit/burden to the primary government

The entity is fiscally dependent upon the primary government and there is a potential financial benefit/burden to the primary government

The nature and significance of the relationship between the primary government and the entity is such that exclusion of the entity from the primary government's financial statements would cause the primary government's financial statements to be misleading.

Other entities that were not created by a local government may nonetheless be a component unit of that local government if the government determines that the entity meets the above criteria.

If a local government has component units, it needs to make a decision as to whether the financial activity of the component units will be included in the primary government's annual financial report.

Some component units prefer to provide an annual financial report to the Louisiana Legislative Auditor (LLA) that is separate from the annual financial report of their primary government. Other component units want to be included in their primary government's annual financial report so they won't have to provide or pay for a separate audit, review/attestation, or compilation report.

While many primary governments allow their component units to report as the component wishes, generally accepted government auditing standards<sup>6</sup> require a CPA firm to modify the auditor's opinion or accountant's review or compilation report<sup>7</sup> of a primary government if the primary does

not report all of its component units. And, the primary government may be required to report all of its component units in order to receive certain certifications for excellence in financial reporting.

A local government that has component units, or that believes it may have component units, should discuss the impact of these component units on its financial statements with the CPA firm that performs their audit. If a local government, in consultation with their CPA firm, determines that a certain entity is a component unit, they should either ensure the component unit is reporting with the primary government; or is providing a separate annual financial report to LLA.

A primary government should include information about its component units in the first note to its financial statements, normally referred to as the Summary of Significant Accounting Policies. The information should include:

A brief description of each of the primary government's component units

The relationship of each of the component units to the primary government

If any of the component units issue separate financial statements, how the separate financial statements for the individual component units may be obtained.

Some housing authorities enter into partnerships with non-governmental entities to develop housing projects. As defined under the audit law<sup>8</sup> (Louisiana Revised Statute (R.S.) 24:513 A. (1) (b) (ii)<sup>9</sup>), any of these partnerships that is determined to be a component unit of a housing authority is a quasi-public body or agency. These partnerships are required to report their financial activity to LLA; either with the related housing authority, or in a stand-alone report. If the tax credit partnership chooses to provide for a stand-alone audit report, the audit must be performed in accordance with generally accepted government auditing standards; and is due no later than six months after the agency's fiscal year end.

## **QUESTIONS:**

**Q.** Where can I get the list of all of the component units of a certain local government?

**A.** All component units of a government should be listed in the first note to the primary government's financial statements, which is normally entitled the "Summary of Significant Accounting Policies."

**Q.** I see that some parish governments list elected officials like the assessor, coroner, clerk of court, district attorney, and sheriff as component units, and others do not. What is the reason for this inconsistency?

**A.** Parish governing authorities are required by R.S. 33:4713 to provide suitable office space, furniture and equipment for the district and circuit courts, and elected parish officials including the

assessor, clerk of court, district attorney, and sheriff. Some parish governing authorities have made the determination that these elected officials meet at least one of the criteria of a component unit set forth by GASB Statement No. 14; others do not consider them to be component units. LLA does not generally intrude upon an agency's determination as to what is and what is not a component unit, so long as the relationship of any component units is properly disclosed, and the CPA firm has rendered an appropriate opinion on the financial statements.

**Q.** I am the president of the board of a sewer district. I believe that the district is a component unit of the parish government, and I want to be included in the parish government's report so that we can save money on audit costs. However, the sewer district is not listed as a component unit in the parish government's report. How can I change this?

**A.** The primary government makes the determination as to whether an entity is a component unit. If you believe that your district is a component unit of the parish government, you should contact the parish government to discuss the matter.

**Q.** Does LLA prefer that a component unit reports with its primary government or submits a separate report?

**A.** LLA prefers that all components report with their primary government, in accordance with generally accepted accounting principles <sup>10</sup>(GAAP); but allows component units to report separately.

**Q.** Is there an instance in which a component unit would be required to provide an audit or other report separately from the primary government?

**A.** The financial information of a component unit that is included in the financial statements of its primary government may be presented in a more aggregated manner than it would be if the component unit provided for a separate or stand-alone audit report. Therefore, the terms of a grant agreement or a bond indenture may require a component unit to provide for a stand-alone audit report.

**Q.** I am the parish president of a parish government that does not include all of its component units in its audit report. The CPA firm renders an adverse opinion on the financial statements because of this. Is this a cause for concern?

**A.** LLA accepts the audit report of a primary government that has an adverse opinion due to omitted component units without penalty. LLA does, however, ensure that all of the component units of the primary government are providing an annual financial report to LLA; and may contact the primary government for additional information and resolution if one is not.

## **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1100-parish-governing-authorities>

2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1090-municipalities>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1070-housing-authorities>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1150-special-service-districts-and-public-trusts>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1110-quasi-public-organizations>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1150-auditors-opinions-and-accountants-reports>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
9. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Investigative Audits And Related Matters ( 500-1160 )

The Louisiana Legislative Auditor (LLA) receives allegations regarding local government agencies and quasi-public organizations (local auditees<sup>1</sup>).

These allegations are reviewed by LLA Investigative Audit Services staff. Most allegations are sent to the CPA firm<sup>2</sup> performing the local auditee's audit or review/attestation engagement to address during the audit. Others are addressed by LLA Investigative Audit Services staff, or other LLA staff.

LLA sometimes performs an examination or investigation regarding allegations received regarding a local auditee. The investigation may or may not result in a written report.

The local auditee should provide LLA staff with all requested documents and information in a timely manner as they perform their audit.

The local auditee should also disclose to the CPA performing their audit or other engagement of any recent or ongoing investigation being performed by the LLA or any other regulatory body.

#### **QUESTIONS:**

**Q.** My local auditee organization was the subject of an LLA investigation during the year. The investigation resulted in a report. Should I give the report to the CPA firm that performs our audit?

**A.** LLA makes a practice of sending internally produced reports, including Investigative Audit Services reports, to the CPA firm performing the local auditee's engagement. However, it would be advisable for you to initiate a discussion of the information in the LLA report with the CPA firm at the start of the audit.

**Q.** My local auditee organization was the subject of an LLA investigation during the year. The investigation was closed, and LLA did not issue a report. How should I address this with the CPA firm that performs our audit?

**A.** You should discuss the matter with the CPA firm when they start the audit. The CPA firm may call the Director of Investigative Audit Services for details of LLA's investigation.

**Q.** My local auditee organization was the subject of an investigation by the Louisiana Ethics Board during the year. Can I assume that LLA notified the CPA firm that is performing our audit of the investigation?

**A.** Although LLA and the Louisiana Ethics Board are both state agencies, they are not the same

agency. You cannot assume that the Ethics Board has shared the results of its investigation with LLA. You should give the CPA firm that performs your audit any information you have regarding an Ethics Board investigation, including the name of your contact person at the Ethics Board, when they start the audit.

**Q.** My local auditee organization was the subject of an investigation by one of our federal grantor agencies during the year. Should I tell the CPA firm that is performing our audit?

**A.** Yes. This is information that is important to the audit that the CPA is performing.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1190-allegations-misappropriation-notices-and-other-lla-notifications-to-cpas>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Management Representation Letters ( 500-1170 )

During an audit engagement, a CPA firm performs tests to determine whether a local auditee's<sup>1</sup> financial statements are fairly stated, in all material respects, and issues an opinion based on those tests.

In order to perform the audit and to be able to provide a clean or unmodified opinion on the financial statements, the CPA firm must gather evidence supporting the amounts and disclosures that are included in the local auditee's financial statements.

One of the most important pieces of audit evidence the CPA obtains from the local auditee are certain statements or **representations** from management regarding the local auditee's financial statements and other information that will be audited.

The CPA firm requires the local auditee to make these and other written representations to them during an audit:

That the financial statements and other information provided to the auditor are correct and represent all of the financial transactions entered into by the local auditee during the year

That the local auditee is aware that the local auditee is responsible for their agency's financial statements, internal controls, and the prevention and detection of fraud

That the local auditee has complied with all laws, regulations, and terms of contracts and grant agreements that are material or important for the local auditee to follow

That the local auditee has disclosed to the auditor any actual or suspected instances of fraud or misappropriations that occurred during the year

These representations are given to the CPA firm in a document called the **management representation letter**. The CPA firm provides the local auditee with a sample letter containing all the representations they need from the local auditee. The local auditee puts the sample letter on their letterhead, and gives the signed letter to the CPA at the end of the audit.

Alternatively, the CPA firm may ask the local auditee to sign the management representation letter both at the beginning and at the end of the audit.

### QUESTIONS:

**Q.** Since the CPA firm that performed my agency's audit also prepared the financial statements, wouldn't it be more appropriate for the CPA firm to take responsibility for them?

**A.** The CPA firm that performed your audit may also prepare your agency's financial statements, provided that certain controls are in place. One of these controls is that there is a person in your organization that has the necessary skills, knowledge, and expertise that would allow the person, on behalf of the agency, to take responsibility for the financial statements. This person cannot be the CPA performing the audit. If the CPA were to take responsibility for your financial statements, that CPA would not be independent<sup>2</sup> regarding your agency, and could not perform your audit. See also Responsibilities of the Local Auditee vs. Responsibilities of the CPA Performing the Audit<sup>3</sup>.

**Q.** The CPA who is performing my agency's audit also asked me to obtain a representation letter from my agency's legal counsel regarding any litigation my agency is involved in. Is this a normal request?

**A.** Attorney representation letters are a common tool CPAs use during an audit to confirm contingent liabilities, including the effect of actual or possible litigation. Please assist the CPA in any way you can in obtaining the representation letter from your legal counsel in a timely manner, in order to expedite completion of the audit.

**Q.** I am the chief executive officer of a local auditee. I don't want to sign the management representation letter because I was not employed by the local auditee during the period under audit. Is there something else I can do so that my agency receives a clean opinion on its audit report?

**A.** Management's representations regarding their agency's financial statements are the foundation upon which the CPA bases his or her audit opinion. If for any reason management cannot provide representations as to the completeness and correctness of its own financial statements, the CPA is required by professional standards to disclaim his or her opinion on the financial statements, or to withdraw from the engagement (see Auditors' Opinions and Accountants' Reports<sup>4</sup>). If you are new to the agency and feel you are not knowledgeable enough about the financial statements to sign the management representation letter, it is essential for you to become familiar and comfortable with the amounts in the financial statements so that you can sign the management representation letter.

If you are not comfortable signing the management representation letter because you believe that fraud occurred during your year under audit, please call the Louisiana Legislative Auditor's (LLA's) Local Government Services (LGS) Engagement Manager.<sup>5</sup>

**Q.** I am the chief executive officer of a local auditee. I am comfortable signing some parts of the management representation letter, but not all of it. What should I do?

**A.** Whether your discomfort pertains to a lack of understanding about a specific representation, or

questions you have regarding transactions into which your agency entered during the year, speak to the CPA performing your audit. He or she should be able to provide clarification and answers regarding your concerns, or will refer you to LLA staff.

**Q.** Is a local auditee required to sign a management representation letter for a review/attestation or compilation engagement?

**A.** The CPA firm should obtain certain written management representations in review/attestation engagements. Because of the limited scope, the CPA is not required to obtain similar representations in compilation engagements. However, the understanding of management's responsibilities for the financial statements and other matters should be included in the compilation engagement agreement, which is signed by the local auditee.

**Q.** The CPA firm that performed my audit never requested the management representation letter you are describing. Is this something I should be concerned about?

**A.** First, ask the CPA firm if one of the documents that he or she provided was the management representation letter. If the CPA's response is that a formal management representation letter is not required, please call the LGS Engagement Manager<sup>5</sup>.

#### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1100-independence-of-the-cpa-firm-performing-the-audit>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1230-responsibilities-of-the-local-auditee-vs-responsibilities-of-the-cpa-performing-the-audit>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1150-auditors-opinions-and-accountants-reports>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Findings And Management Letter Comments ( 500-1180 )

Most audit reports that are submitted to the Louisiana Legislative Auditor (LLA) are performed under generally accepted government auditing standards<sup>1</sup> or GAGAS.

During the performance of a GAGAS audit, the CPA firm will perform tests of the local auditee's<sup>2</sup> internal controls<sup>3</sup> over financial reporting. The CPA firm will also perform tests of the local auditee's compliance with laws, regulations, contracts, and grant agreements. The CPA firm will perform special tests of the local auditee's federal programs if the local auditee spent \$750,000 or more in federal assistance.

Sometimes the CPA finds there are problems in internal control that he or she believes may lead to an error in the local auditee's financial statements. The CPA evaluates each of these problems to determine if it is a **deficiency**, a **significant deficiency**, or a **material weakness** in internal control.

A deficiency in internal control is a problem or condition that the CPA firm feels could cause the financial statements to be misstated, and the misstatement will not be detected.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies that is less severe than a material weakness, but the CPA firm feels is important enough to bring to the attention of the local auditee

A material weakness in internal control is a deficiency or a combination of deficiencies such that there is a reasonable possibility that a material<sup>4</sup> misstatement in the financial statements will not be prevented or detected and corrected timely.

The CPA is required by GAGAS to communicate significant deficiencies and material weaknesses in internal control over financial reporting to the local auditee's management; along with any material noncompliance with laws, regulations, contracts and grant agreements; and material instances of fraud.

The type of communication required by GAGAS is a report that is included with the audit report and called the *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* (or the **Yellow Book report**). The report references the CPA's findings relating to the significant deficiencies, material weaknesses, and

matters of noncompliance that are included in a separate schedule in the report.

Findings relating to federal awards are reported in a similar report called the *Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance* (also known as the **Single Audit report**).

Although deficiencies in internal control are not required to be reported to management by GAGAS, many CPAs choose to do so through a less formal report called the **management letter**.

The CPA will ask the local auditee to provide its response to any findings in the Yellow Book report, the Single Audit report, or the management letter.

The CPA firm will also ask the local auditee to provide a schedule with the status of any prior year findings. This schedule is included in the report as well.

### **QUESTIONS:**

**Q.** What information should be included in management's response to a finding or management letter comment?

**A.** Management should include the following in their response to a finding or management letter comment:

What the local auditee plans to do to correct the condition that caused the finding or management letter comment (the corrective action plan)

The name of the person who is responsible for implementing the corrective action plan

The date by which the corrective action plan will be implemented

**Q.** Will a CPA include findings in a review/attestation or compilation report?

**A.** A CPA will include a finding in a review/attestation report for any exception noted in the attestation portion of the engagement. A CPA will also include a finding in a review/attestation or compilation report for certain matters of noncompliance that come to his or her attention during the engagement; for instance, if the report is submitted after the statutory due date.

**Q.** I don't agree with a finding the CPA wants to include in my agency's report. I want him to remove it. Will LLA back me up?

**A.** The CPA who performed your agency's audit, not LLA, performed and evaluated the results of those tests that led to the findings in your agency's report. LLA generally will not override a CPA's professional judgment regarding the findings he or she feels need to be included in a report.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1240-internal-controls>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1250-what-is-materiality>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### How Is My Agency's Report Submitted To The Legislative Auditor? ( 500-1190 )

Your agency's audit, review/attestation or compilation engagement has been completed. You have signed off on the report. The CPA who performed your agency's engagement is back at his office putting the finishing touches on the report package.

How and when can you expect the report to be submitted to the Louisiana Legislative Auditor (LLA)?

This is a very important question to most local auditees<sup>1</sup>. The statutory due date<sup>2</sup> of audit, review/attestation and compilation reports to LLA is six months after the agency's fiscal year end; and there are consequences<sup>2</sup> to local auditees whose reports are not submitted by the statutory due date.

The CPA should be able to give you an estimated date by which he or she expects to submit the report to LLA at the exit conference, if there are no significant pending items.

After the fieldwork is completed and the exit conference has been held, the CPA may still have some work to perform before the report can be submitted to LLA; or may have additional questions the agency needs to answer, or documents the agency needs to provide. It is important for the agency to resolve any matters it can as quickly as possible in order for the CPA to complete his work and to be able to submit the report to LLA.

The actual submission of an audit, review/attestation or compilation report to LLA is done through a web portal by the CPA who performed the engagement. The CPA has been assigned a unique user ID and password to access the web portal through which reports are submitted. Most questions LLA has about the report after submission will be directed to the CPA.

Although the CPA has the information required to submit the report through the portal, it is the joint responsibility of the CPA and the local auditee to ensure that the report is submitted to LLA by the statutory due date. The local auditee should maintain contact with the CPA firm regarding the status of the report until the CPA confirms that the completed report has been submitted to LLA.

Submission of sworn financial statements to LLA is either done through the mail (address is

included on the sworn financial statement forms), or electronically to [ereports@lla.la.gov](mailto:ereports@lla.la.gov). Sworn financial statements are due to LLA no later than ninety days after the agency's fiscal year end.

## **QUESTIONS:**

**Q.** The CPA firm gave me a draft copy of my agency's audit report. May I submit the draft report to LLA to make sure the report is submitted by the statutory due date?

**A.** No. The report that is submitted to LLA needs to be the final version, not a draft. In addition, the CPA submits other information besides the agency's report to LLA when it submits a report; and has the login information that will enable him or her to submit the report and other required information through the web portal.

**Q.** Should I send a hard copy of my agency's completed audit report to LLA to make sure they get a copy?

**A.** Multiple submissions of the same report to LLA should not be done. One report should be submitted through the web portal by the CPA.

**Q.** I gave the CPA everything he has requested to complete the audit weeks ago, and he said the report is finished. However, the CPA has not submitted it to LLA. The due date of the report is next week. What should I do?

**A.** Call the CPA to verify that he actually does have all of the information needed to finish the audit and submit the report to LLA. If the CPA has all of the information and appears to be unnecessarily holding up the submission of the report to LLA, please call LLA's Engagement Manager<sup>4</sup>.

**Q.** The board chairman and the chief financial officer signed off on the agency's audit report in the exit conference, but the report has not been presented to the board in a public meeting. May the CPA submit an audit report to LLA that has not been accepted by the governing board?

**A.** It is advisable for the CPA to present a draft copy of an audit report to the local auditee's governing board as a courtesy prior to submitting the report to LLA. However, it is not required. It also may not be practical because the board may not have a meeting scheduled between the completion of the audit engagement and the due date of the report. An appointed agency representative, such as the board chairman, chief executive officer, or the chief financial officer should sign off on the audit report before it is submitted to LLA; but it is not necessary that the report be approved by the board prior to submission.

## **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1200-due-date-of-reports-and-consequences-of-a-late-report>

3. <mailto:ereports@lla.la.gov>

4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Due Date Of Reports And Consequences Of A Late Report ( 500-1200 )

The audit law<sup>1</sup> (Louisiana Revised Statute (R.S.) 24:513<sup>2</sup> and 24:514<sup>3</sup>) establishes the due dates of local auditee<sup>4</sup> reports:

Audit, review/attestation, and compilation reports<sup>5</sup> are due to the Louisiana Legislative Auditor (LLA) no later than six months after the local auditee's fiscal year end

Sworn financial statements<sup>5</sup> are due to LLA no later than ninety days after the local auditee's fiscal year end

The Legislative Auditor believes that timeliness is a vital component of good financial reporting. Local auditees do not exist in a vacuum; their annual financial reports are of interest not only to regulatory agencies, but to taxpayers as well. Financial information loses its value as time passes.

A local auditee should take these steps to ensure that its annual financial report is submitted to LLA by the statutory due date:

The local auditee should keep its books and records in good shape throughout the year

If its statutorily required report is an audit, review/attestation or compilation report, the local auditee should hire a CPA firm from LLA's approved list no later than sixty days after its fiscal year end; and resolve the CPA's questions and requests for information in as timely a manner as possible.

If its statutorily required report is sworn financial statements, the local auditee should call LLA's Local Government Services section if they have not received an email or letter notification from LLA by sixty days after its fiscal year end. The email will include a link to the financial statement forms on LLA's website; the letter will include a copy of the blank financial statement forms.

During the 2007 Legislative Session, language was added to House Bill 1 (the General Appropriations Act) and House Bill 2 (the Capital Outlay Act) that prohibited the payment of funds authorized in these acts to any recipient that had failed to comply with the audit law; and had not obtained an extension from LLA.

In response to the language in House Bill 1 and 2, in 2007 LLA began publishing on its website a list of local auditees that had failed to comply with the audit law, mostly comprised of local auditees that have not submitted their reports by the statutory due date.

This noncompliance list is reviewed by the Louisiana Department of Treasury and other state agencies before paying state funds to local auditees. R.S. 39:72.1 prohibits the payment of

Louisiana state government funds to any local auditee whose name appears on the noncompliance list.

A local auditee's name will be removed from the noncompliance list when LLA receives their report, or when LLA approves an extension request<sup>6</sup> for the local auditee.

An audit, review/attestation, or compilation report that is submitted past the statutory due date must include a finding for the noncompliance with R.S. 24:513<sup>2</sup>, except when an emergency extension request has been approved.

## **QUESTIONS:**

**Q.** Is there any kind of grace period for submission of a report?

**A.** LLA does not allow a grace period in which to submit a report past the statutory due date. If an agency does not think it will be able to submit its report by the statutory due date, it should consider requesting an extension.

**Q.** My agency receives more than \$750,000 of federal funds and is required to provide for a Single Audit. The federal government requires a Single Audit report to be submitted by the earlier of 30 days after the release of the audit report, or 9 months after my agency's fiscal year end. How does this affect the date by which I am required to file my audit report with LLA?

**A.** The statutory due date of audit reports, including Single Audit reports, of agencies that must report to LLA is six months after the agency's fiscal year end. Although the federal government allows reports to be submitted, in certain cases, up to nine months after an agency's fiscal year end, an agency that is required to report to LLA must observe Louisiana state law regarding the due date of their report, and must submit their audit report and their Single Audit report to LLA within six months after the agency's fiscal year end.

An exception is made if a local auditee's audit report is ready to be submitted to LLA, but because of delays in federal guidance related to the expenditure of federal funds the local auditee has received, the Single Audit will be delayed. If an local auditee wishes to submit their audit report to LLA without the Single Audit report due to a delay in federal guidance, the local auditee or the CPA must notify LLA through the extension request form<sup>7</sup> on LLA's website before the due date of the audit report. A full explanation of the reason for the delay of the Single Audit report must accompany the request, and the request must plainly state that the extension is for the Single Audit report only, not the audit report, the statewide agreed-upon procedures report<sup>8</sup>, the school board/charter school performance measures agreed-upon procedures report<sup>9</sup>, or any other report that is required by Louisiana statute or LLA policy.

Upon receipt of the original audit report and other reports required by Louisiana statute or LLA policy, LLA will review and issue the report package as a public document. If the extension is approved by LLA and the audit report and other required reports except the Single Audit are submitted to LLA by the statutory due date, no late report finding is required to be included in the audit report or the Single Audit report.

When the Single Audit is completed, the CPA submits it with together with the audit report and other reports originally submitted to LLA, with a letter prepared on the letterhead of either the local auditee or the CPA firm stating that the original report package that was submitted to LLA has been revised to include the Single Audit report. The letter will be issued with the audit report and the Single Audit report, as the first page of the report package.

**Q.** I received an email from LLA stating that my agency's audit report is delinquent; and my agency's name is on the noncompliance list. My CPA said that he submitted the report. How do I resolve this?

**A.** Call LLA's Local Government Services<sup>10</sup>; we can review our records and will advise you verbally whether we have received the report. If it has not, you will be advised to call the CPA firm that performed your agency's audit.

**Q.** My agency's report was late through the fault of the CPA firm that performed the engagement. Must my report include a finding for the late report?

**A.** Yes. The finding may state that the lateness of the report was the fault of the CPA firm. You should consider the advisability of hiring the CPA firm to perform your agency's engagements in the future, especially if the CPA firm has a history of submitting your reports past the statutory due date.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <http://legis.la.gov/Legis/Law.aspx?d=84131>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1040-what-kind-of-report-does-my-agency-need-to-provide-to-the-legislative-auditor>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1210-extension-requests>
7. <https://www.lla.la.gov/local-government-entities/extension-request-form/index.shtml>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1127->

special-reporting-statewide-agreed-upon-procedures-engagements

9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/300-1120-special-reporting-school-board-performance-measures-and-agreed-upon-procedures-report>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-27-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Extension Requests ( 500-1210 )

Louisiana Revised Statute (R.S.) 24:513<sup>1</sup> and 24:514<sup>2</sup> (the audit law<sup>3</sup>) requires local governments and quasi-public organizations (local auditees<sup>4</sup>) to provide their annual financial reports to the Louisiana Legislative Auditor (LLA). The audit law also provides for the due dates of these reports. Before 2005, the audit law did not give LLA the authority to extend the due dates of local auditee reports. In 2005, the Louisiana Legislature amended the audit law to provide for extensions due to gubernatorially declared disasters or emergencies. Legislation in subsequent years provided for extensions for other reasons.

LLA's current policies and procedures regarding extensions support its objective of assisting local auditees that are unable to submit their annual financial reports by the statutory due date through no fault of their own, while ensuring that their reports are submitted in as timely a manner as possible.

**Emergency Extension Requests** – In 2005, following Hurricanes Katrina and Rita, the Louisiana Legislature amended the audit law to include a provision that allowed a local auditee to request an extension in which to file its annual financial report with LLA when a gubernatorially declared disaster or emergency prevented the local auditee from completing the report by the statutory due date. LLA's granting of an emergency extension request was subject to approval by the Legislative Audit Advisory Council<sup>5</sup> (LAAC).

**Non-emergency Extension Requests** – During the 2007 Legislative Session, language was added to House Bill 1 (the General Appropriations Act) and House Bill 2 (the Capital Outlay Act) that prohibited the payment of funds authorized in these acts to any recipient that had failed to comply with the audit law and had not obtained an extension from LLA.

Because the language in House Bills 1 and 2 was silent as to the criteria under which an extension could be granted, LLA began approving extensions for reasons other than gubernatorially declared disasters or emergencies in 2007.

In 2007, LLA also began publishing on its website a list of local auditees that had failed to comply with the audit law. The noncompliance list is reviewed by the Louisiana Department of Treasury and other state agencies before paying state funds to local auditees.

A provision for non-emergency extension requests was promulgated in R.S. 39:72.1 by Act 771 of the Regular Legislative Session of 2008.

### **LLA Extension Request Policies and Procedures Regarding Extension Requests –**

Extensions are requested by a local auditee or the CPA performing the local auditee's audit, review/attestation or compilation engagement, through the extension request form available on LLA's website<sup>6</sup>. A full explanation of the reason the report is delayed must accompany the request along with the date by which the report is expected to be submitted to LLA.

A committee of three LLA employees (the Legislative Auditor, the Director of Local Government Services (LGS), and the Local Government Reporting (LGR) Manager) determines whether each extension request should be approved.

In order to support the objectives of timely financial reporting and compliance with the audit law, approval of **non-emergency extension requests** is the exception, not the rule. In order for a non-emergency extension request to be considered for approval, **both** of the following criteria must be met:

The report for the prior year must have been received by the LLA, **and**

The reason for the extension request must be beyond the control of the local auditee.

In addition to meeting both of the above two criteria, **either** of the following two criteria must be met:

The local auditee must have engaged a CPA firm, approved by LLA, to perform its audit or other engagement no later than sixty days after its fiscal year end, **or**

The local auditee must have submitted two of its last three annual financial reports to LLA by (a) the *statutory* due date or (b) up to 90 days after the statutory due date with an approved extension. The extension is granted subject to confirmation by LAAC.

An exception may be made when the denial of an extension will adversely and significantly impact public safety, health, or welfare as determined by the Legislative Auditor and the chairperson of LAAC.

If the auditee does not meet the above criteria, the LGR Manager will prepare a worksheet that includes the reporting history and the extent that the auditee relies on public funds for its operations. This will be given to the Legislative Auditor for his determination as to whether a denial of the extension will "**adversely and significantly**" impact public safety, health or welfare of the public.

If the Legislative Auditor approves the extension, he writes a letter to the LAAC Chair and attaches

the extension request from the auditee to secure the Chair's agreement and approval to grant the extension.

If the LAAC Chair agrees, then the extension is granted subject to confirmation by LAAC.

If the Legislative Auditor does not approve the extension or if the LAAC Chair does not approve the extension, the auditee is placed on the Non-Compliance List (NCL) and invited to attend the next scheduled LAAC meeting to appeal the decision directly to LAAC. Auditees who choose not to attend the LAAC meeting will remain on the NCL until their report is submitted. Auditees who choose to appeal to LAAC will be required to bring a written appeal request to the meeting on agency letterhead that is signed by the agency head and addressed to the Legislative Auditor and LAAC members. This letter should include:

The harm that denial of the extension will cause the public and their agency,

The current status of submitting their report,

The date that the LLA can expect to receive their report,

A written plan for ongoing submission of timely reports; and

A commitment to engage timely in the future.

At the LAAC meeting, LAAC will make an independent determination as to whether the auditee has shown "good cause" that the extension should be granted as permitted in R.S. 39:72.1(C)<sup>7</sup>.

If the LAAC Committee approves the extension, the auditee is removed from the NCL.

Any extensions that LAAC denies are communicated to the auditee and the auditee remains on the NCL until the report is submitted.

LLA is more flexible regarding the criteria for approving **emergency extension requests**.

However, LLA also works with a local auditee that requests an emergency extension to ensure that it will be providing its annual financial report in as timely a manner as possible.

**Extension Requests – Ninety Days or Less** According to its current policy, LLA may approve an emergency or non-emergency extension request for up to ninety days after the statutory due date of the local auditee's report, subject to subsequent confirmation by LAAC.

At each LAAC meeting LLA provides a list of all ninety day or less extension requests approved by LLA since the last LAAC meeting. LAAC votes on confirmation of the extension requests.

**Extension Requests – Greater Than Ninety Days** Extension requests that are greater than ninety days after the due date of a report are not approved by LLA, but by LAAC.

**Extension Requests and Late Report Findings** If a **non-emergency extension request** is approved for a report, that report is required to include a finding regarding the local auditee's noncompliance with the audit law by failing to submit its annual financial report to the LLA by the

statutory due date.

If an **emergency extension request** is approved for a report, that report is not required to include this finding.

If an extension request is denied, the local auditee is considered non-compliant with the audit law and will be placed on the noncompliance list until the report is received by LLA.

## **QUESTIONS:**

**Q.** How will I be notified if my agency's extension request is approved?

**A.** The local auditee is notified by email regarding approval of the extension. If the local auditee has hired a CPA firm to perform the engagement for which the extension was requested, the email will also be sent to the CPA contact within the firm.

**Q.** Why is a finding required if a non-emergency extension request is approved for a local auditee, but not an emergency extension request?

**A.** The statutory provision for an emergency extension request provides for an actual exception in the audit law for the normal statutory due date of a report. The statutory provision for a non-emergency extension request does not provide for an exception for the due date of the report.

**Q.** What would be an acceptable reason to request a non-emergency extension?

**A.** Acceptable reasons to request a non-emergency extension include:

Illness of agency personnel that are essential to completion of the audit, e.g., the bookkeeper, chief financial officer or chief executive offices

Illness of the CPA performing the audit or other engagement

Destruction of records due to a fire or other catastrophe that was not a gubernatorially declared disaster or emergency

Delay caused by new software implementation

Other conditions that result in an unavoidable and unforeseen delay in submitting a report that are beyond the control of the agency

**Q.** My agency's audit report will not be submitted by the statutory due date because our bookkeeper is ill. LLA approved a non-emergency extension request. Why wouldn't the illness of key accounting personnel be considered a reason to grant an emergency extension request?

**A.** Illnesses do not meet the strict definition in the law regarding the criteria for an emergency extension i.e., a gubernatorially declared disaster or emergency.

**Q.** I am a nonprofit agency and have filed an extension request with the IRS for my agency's 990 form. Will LLA accept this form in lieu of submitting LLA's extension request form?

**A.** No. The extension request form on LLA's website must be used to request an extension for a local auditee's report to LLA.

**Q.** I am a local auditee who wishes to cancel my current audit engagement. The CPA has agreed to cancel the engagement too. It will take some time to engage another CPA. May I request an extension for the report?

**A.** It would depend on the reason the engagement agreement was cancelled. If the reason for the cancellation is beyond the control of the local auditee, such as non-performance of the CPA, LLA would most likely consider approving an extension. However, if the cancellation was totally at the discretion of the local auditee, the local auditee would be expected by LLA to have made the decision far enough in advance to allow for timely submission of the report. In this situation, LLA would be less likely to approve an extension.

**Links:**

1. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
2. <http://legis.la.gov/Legis/Law.aspx?d=84131>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1060-legislative-audit-advisory-council>
6. <https://lla.la.gov/resources/local-government-reporting/extension-request>
7. <http://legis.la.gov/legis/Law.aspx?d=631275>

*NB: This document is the current version as of 05-01-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### What Do I Do If My Agency's Records Are Destroyed? ( 500-1215 )

Louisiana seems to have more than its share of natural disasters – hurricanes, floods and tornadoes. And in spite of careful planning, other, more isolated catastrophic events, such as fires, sometimes occur.

The immediate concern during a natural disaster or other catastrophic event is to save human lives. Once the disaster is over and an assessment is made of the damage, it is often found that financial records were among those items that have been lost.

And unfortunately, financial records that are maintained electronically may be subject to cyber-theft or compromise through the very computer system on which they are maintained.

What can a local government or quasi-public organization (local auditee<sup>1</sup>) do about its reporting responsibility to the Louisiana Legislative Auditor (LLA) if its records are destroyed?

The most important step a local auditee can take to preserve its records is to have a disaster recovery and business continuity plan in place **before** a catastrophic event takes place. Ideally, this plan should provide for

- Identification of threats the local auditee faces to its assets and records
- Maintenance of backup copies of the local auditee's financial information off-site
- Periodic review and testing of the plan to ensure it is being implemented and is applicable to the local auditee's current needs

The local auditee should also consider how it will get up and running again if a catastrophic event occurs. It is not wise for a local auditee to wait until its physical plant is gone to determine how it will continue to operate.

While having a disaster recovery and business continuity plan in place is critical, no plan will be able to address every situation. What happens if both the local auditee's office **and** the place where the off-site backup files are stored are affected by a natural disaster? What happens if the disaster was so catastrophic that the local auditee must close its doors?

The audit law (Louisiana Revised Statue 24:513<sup>2</sup>) gives the Legislative Auditor broad authority to

prescribe the terms and conditions of the engagements of local auditees that report to him; but is silent as to the course of action that should be taken when a local auditee's records are destroyed during a catastrophic event. However, the Legislative Auditor does make accommodations for local auditees that have lost their financial records in a disaster.

When a local auditee has knowledge that its records have been destroyed, the chief executive or financial officer should:

1. Contact

LLA staff<sup>3</sup> as soon as possible to inform them of the loss of the financial records

2. Accumulate any of the local auditee's records that are available from third party sources, such as:

- Bank and brokerage statements from the local auditee's financial institutions
- Fixed asset records from the local auditee's prior auditor or contract accountant
- Statements from trade vendors
- Any interim financial information provided to a regulatory agency or other party

The local auditee may wish to contract with a CPA firm to help them accumulate these items.

3. Assess the records that have been accumulated to determine whether the local auditee can provide financial statements to LLA; either at the level required by the audit law (see What Kind of Report Does My Agency Need to Provide to the Legislative Auditor?<sup>4</sup>) or at a level lower than is required by the audit law (for example; reviewed or compiled financial statements if the agency is required by the audit law to provide audited financial statements).

4. Contact LLA staff<sup>3</sup> again to discuss how to proceed. LLA staff may advise the local auditee to provide a report that is at a lower level of assurance than what is required by the audit law, with an affidavit attesting to the destruction of the local auditee's records. LLA staff will also advise the local auditee to execute the affidavit if the local auditee is unable to provide a report of any kind to LLA; and may advise the local auditee to submit an emergency extension request<sup>5</sup> for the report and/or affidavit if it will not be submitted to LLA by the statutory due date.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1040-what-kind-of-report-does-my-agency-need-to-provide-to-the-legislative-auditor>

5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1210-extension-requests>

*NB: This document is the current version as of 04-11-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### What Happens After The Legislative Auditor Receives My Agency's Report? ( 500-1220 )

Local auditee<sup>1</sup> reports that are received in the web portal (see Submitting a Report to the Legislative Auditor<sup>2</sup>) undergo a preliminary administrative review. The administrative review determines, for example, that the correct report that was submitted.

After the report has undergone the administrative review it goes into the part of the web portal where it may be retrieved by a Louisiana Legislative Auditor (LLA) report reviewer. Based on the information entered by the certified public accountant (CPA) when the report was submitted, or other matters identified by LLA, the report may undergo an expedited review, or it may undergo a more thorough review.

If there are no questions or problems with the report, the report review is finalized and the report issued.

If there are questions, problems or errors regarding a report, LLA will contact the CPA for resolution before the issuing the report. Depending upon the problem, the CPA may need to obtain additional information from the local auditee.

Sworn financial statements receive a more cursory review because of the limited amount of public dollars included in these reports.

#### **QUESTIONS:**

**Q.** How long, generally, does it take LLA to issue a report after it is received?

**A.** LLA strives to issue reports as soon as possible after receipt, but the time frame for issuance is generally dependent upon volume of reports received; and is specifically dependent upon any pending items relative to the individual report.

**Q.** What is the timetable for reports to be issued after the review is finalized; and when does LLA issue them as public documents?

**A.** Reports for which the review has been finalized are issued every Wednesday. Reports that are issued on Wednesday become public documents on LLA's website in the Audit Report Library<sup>3</sup> the following Monday.

**Q.** My agency's audit report has been submitted to LLA. May I send a copy to my bond rating agency?

**A.** Reports submitted to LLA are subject to revision until they are issued as public documents on the LLA website. It is not advisable to send an audit report that has not been issued by LLA to an outside party. If there is an approaching deadline for submitting an unissued audit report to the outside party, please call LLA's Engagement Manager<sup>4</sup> for assistance. LLA will expedite the report issuance process if possible.

**Q.** How can I tell if my agency's report has been issued?

**A.** Go to the Audit Report Library (ARL)<sup>3</sup> on LLA's website. Newly issued reports are posted every Monday. The ARL has search capabilities that will allow you to easily find your report if it has been issued.

**Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1230-submitting-a-report-to-the-legislative-auditor>
3. <https://lla.la.gov/reports/audit-reports>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Responsibilities Of The Local Auditee Vs. Responsibilities Of The CPA Performing The Audit ( 500-1230 )

The CPA firm that performs a local auditee's<sup>1</sup> audit or other engagement may prepare or propose adjustments to the local auditee's financial statements.

The CPA also tests the agency's internal controls<sup>2</sup> and gives recommendations to improve them.

And, unfortunately, misappropriations and fraud that occur in an agency are often not detected until the CPA finds them during the performance of the audit.

Because of these factors, there is a common misperception that the responsibility for a local auditee's financial statements, internal controls, and especially the detection of fraud and misappropriations, belongs to the CPA performing the audit or other engagement for the local auditee.

The responsibilities of the local auditee and the CPA firm performing the audit are clearly spelled out in second and third paragraphs of the standard opinion that a CPA firm signs and includes with audited financial statements:

*Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.*

*Our (the CPA firm's) responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.*

To summarize, management of the local auditee is responsible for –

Its financial statements

Internal control over the preparation of its financial statements

Detection of fraud and errors

And the CPA firm performing the audit is responsible for auditing the financial statements, determining whether they are free from material<sup>3</sup> misstatement, and reporting on the results of their audit.

The local auditee's and the CPA's responsibilities are similarly addressed in the accountant's review and compilation reports.

The CPA firm cannot take responsibility for the local auditee's financial statements or internal controls without becoming part of the local auditee's management. This would impair their independence<sup>4</sup> in such a manner that they could not perform the audit.

The CPA firm performing an audit may prepare the agency's financial statements, which would appear to give them the responsibility for the financial statements. However, the CPA firm may prepare an agency's financial statements only if there is a person within the agency who possesses suitable skill, knowledge, and expertise to oversee the work of the CPA. This person is not required to be able to prepare the financial statements, but must be able to accept responsibility for them. Other non-audit services that are performed by a CPA firm that audits the local auditee also have this type of restriction.

The perception that the CPA firm performing the audit is responsible for the financial statements is also derived from the adjustments that the CPA firm proposes to a local auditee's financial statements, and the consequences to the local auditee if they choose not to make the adjustments. In an audit engagement, the CPA may advise the local auditee that they will not be able to render a clean or unmodified opinion on the financial statements. In a review/attestation or compilation engagement, the CPA may disclose the proposed adjustments management did not make in the accountant's review or compilation report; or may withdraw from the engagement altogether. The CPA may write a finding or management letter comment if the agency's refusal to make recommended adjustments causes its financial statements not to be prepared in accordance with generally accepted accounting principles<sup>5</sup>.

This is all within the responsibility of the CPA as stated in the auditor's opinion; and is not inconsistent with the five parts of the local auditee's financial statements that the CPA firm "owns:" The auditor's opinion; or the accountant's review or compilation report

*The 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* (Yellow Book report), which is included with an agency's audit

report If the audit is performed under Government Auditing Standards

*The Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance* (Single Audit Report), which is included with an agency's annual financial report if the agency expended \$750,000 or more in federal funds during their fiscal year

Findings related to the Yellow Book report and Single Audit report

Management letter and comments<sup>6</sup> related to less material findings that the CPA feels need to be brought to the attention of the agency

If a local auditee has any questions about their responsibilities regarding their financial statements they should speak to their CPA firm, or call the Legislative Auditor's Local Government Services Engagement Manager<sup>7</sup>.

## QUESTIONS:

**Q.** What role does a local auditee's governing board play in agency's management?

**A.** A local auditee's governing board provides oversight for the agency's operations (See *COSO Internal Control - Integrated Framework*<sup>8</sup> for a complete discussion of the governing board's responsibilities). At a minimum, members of the governing board should:

Be familiar with the local auditee's charter, if applicable; and the board's responsibilities contained therein

Be familiar with the laws and regulations that affect the local auditee

Be familiar with the local auditee's policies and procedures and approve changes to same

Receive monthly financial statements, including budget-to-actual statements

Review the local auditee's annual audit, review/attestation or compilation report, and ask questions about deficits, findings, and other matters in the report

## Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1240-internal-controls>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1250-what-is-materiality>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1100-independence-of-the-cpa-firm-performing-the-audit>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>

6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1180-findings-and-management-letter-comments>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
8. <https://www.coso.org/Pages/guidance.aspx>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Internal Controls ( 500-1240 )

Internal controls are the policies and procedures that are put in place by a local auditee<sup>1</sup> to safeguard its assets against loss due to errors, abuse, fraud or misappropriation.

Internal controls also encompass the policies and procedures that are put into place to ensure that a local auditee's financial transactions are processed and reported in a timely manner, and in accordance with laws and regulations and generally accepted accounting principles<sup>2</sup>.

When a CPA audits a local auditee's financial statements, he or she will consider the different ways the financial statements can be misstated, either by error or fraud; and whether the local auditee's internal controls will prevent these errors from occurring, or will detect them once they have occurred. The CPA's consideration takes into account not only the local auditee's internal controls over the physical preparation of its financial statements, but also the internal controls over its operations and its compliance with applicable laws and regulations, which will ultimately affect its financial statements.

Internal controls over operations can affect the amounts that are reported in a local auditee's financial statements. For example, a town with poor controls over its utility collections:

May not be making daily deposits. The lag in the town's deposits may cause errors in its cash, utility revenue, and utility receivable accounts.

May not be updating individual customer accounts in a timely manner, or reconciling the total amount of the individual customer accounts to the accounts receivable control account. This could also cause errors in the town's utility receivable accounts.

May not be reconciling its bank accounts every month. This could cause the errors in the cash account not to be detected in a timely manner.

Finally, the existence of the poor controls may tempt the utility clerk to steal utility receipts. The clerk may try to conceal the theft by adjusting the town's financial records, causing additional errors in the affected accounts.

A local auditee's management is responsible<sup>3</sup> for developing and implementing the local auditee's system of internal controls. There are five components to developing a system of internal controls -

**Control environment** – The local auditee's management should establish and maintain an

environment that sets a positive and supportive attitude toward internal control. This includes setting high standards for agency-wide ethical behavior and competence for the entity's employees, and communicating these standards to employees. It also means that members of the local auditee's management adhere to the same standards of ethical behavior and competence that they expect from employees.

**Risk assessment** – The local auditee's management should identify anything and everything that could go wrong in the local auditee's operations that will ultimately affect what is reported in its financial statements, and the actions or controls that can be put in place to address these possible risks.

During the risk assessment process management needs to ask, where is it likely that errors could be made? Under what circumstances would it be possible for an employee to steal money or other agency assets?

Risk assessment also means taking into consideration changes that may disrupt an agency's normal operations, such as a change in management, a change in legislation, a downturn in the economy, or a natural disaster.

**Information and communication** – the local auditee needs to consider both the manual and automated (computerized) accounting processes it uses in determining a system of suitable internal controls. There is a common misconception that a computerized system can't make decisions on its own and therefore doesn't make mistakes; however, the people who enter information into a computerized system can and do make mistakes. And, there is the risk of losing all of the agency's data if a natural disaster, hacking event, or equipment malfunction occurs. It would be difficult for a local auditee to process its transactions, or for the CPA firm to perform its audit, if the local auditee's computer system was compromised. The local auditee should back up its data on a regular basis, and maintain the backups in a location away from the agency's principal place of business.

The local auditee's management also needs to determine how internal controls that are put in place will be communicated to its employees – ideally, through a policies and procedures manual that is available to all employees.

**Control activities** – the local auditee's management must determine the activities or controls it will put into place to address the risks identified during this process. Controls may be preventive in nature (prevent errors and fraud from occurring) or detective in nature (detect errors and fraud that have occurred). Ideally, controls should be designed so that the custody, recording, and authorization of each type of transaction are divided between different employees. For instance, if a utility clerk who collects receipts and makes deposits (custody) can also enter the transactions into the accounting system (recording) and make adjustments to customer accounts (authorization), the clerk could steal utility receipts and conceal the theft by manipulation of the accounting records.

**Monitoring** – The local auditee should periodically review its internal controls, and change them if needed.

The Legislative Auditor urges all local auditees to use *Internal Control - Integrated Framework* and other documents developed by the Committee of Sponsoring Organizations (COSO) as a guide for assessing their agency's system of internal control. These documents may be found on COSO's website<sup>4</sup>.

## **QUESTIONS:**

**Q.** How can I implement a good system of internal controls without making my employees think that I don't trust them?

**A.** You should explain to your employees that establishing a system of good internal controls won't just help you to identify which employees are doing things wrong; it will also protect the employees who are doing things right. To use the example of a town with poor controls over its utility receipts, suppose that the town has two utility clerks. Both are working out of the same cash drawer. One clerk is stealing money because she knows that the use of one cash drawer will make it difficult to tell which of the clerks is guilty. If the town changed its controls over cash collections so that each clerk is working out of his or her own drawer, it would either cause the clerk who is stealing money to stop doing it (prevention control), or would make it easier for the town to determine which clerk is stealing money (detection control).

**Q.** Does the Legislative Auditor (LLA) have a list of internal controls that they recommend local auditees to implement?

**A.** Because the needs of each local auditee are different, LLA does not maintain a list of internal controls that all local auditees should implement. LLA does have best practices documents available on its website; an agency may develop internal controls over its various activities based on these best practices.

A local auditee that has an advocacy agency (such as the Louisiana Municipal Association for cities, towns and villages) may contact the advocacy agency for guidance on developing internal controls, or through the advocacy agency, contact another local auditee of similar size and structure, and borrow ideas from their controls.

A local auditee may also ask the CPA who performs its audit, review/attestation or compilation engagement for assistance in developing good internal controls.

**Q.** I am the board chairman of a very small utility district. We employ a manager, a maintenance crew, and a clerk. The clerk collects utility receipts, deposits them, enters the transactions into our

accounting records, and reconciles the bank account. We would like to employ another person in the office to implement better controls over our cash collections, but we can't afford it. What should we do?

**A.** A lack of segregation of duties in accounting functions is a common internal control problem in small agencies such as yours. A simple control that would cost nothing to implement would be for you or another board member to receive the bank statement, unopened; and to review it for unusual transactions before giving it to the clerk for reconciliation purposes. You can ask the CPA firm that performs your annual audit, review/attestation or compilation engagement to recommend other low cost and no cost ways to mitigate or lessen the control risk over cash collections caused by your small staff and limited budget.

**Q.** My agency worked hard to develop a good system of internal controls. We broke down the accounting functions between two clerks. We recently found out that the clerks conspired together to steal a lot of money. What good was it to develop a system of internal controls that could be circumvented?

**A.** People who steal money are often very inventive. Even a model system of internal controls can be circumvented if two employees work together to steal money and hide the theft; a condition that is known as collusion. Good internal controls can also be circumvented if the agency's top management decides to override them. It doesn't mean that your controls were poor or of no worth. But, you should use the facts and circumstances of the theft to determine if the controls over cash collections can be further strengthened.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1230-responsibilities-of-the-local-auditee-vs-responsibilities-of-the-cpa-performing-the-audit>
4. <https://www.coso.org/Pages/guidance.aspx>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### What Is Materiality? ( 500-1250 )

If you are a local auditee<sup>1</sup>, you may have heard the term **materiality** used by the CPA who performs your audit.

"The purpose of the audit is to determine whether the financial statements are **materially** correct."

"These are some **material** adjustments that I believe you need to make to the financial statements."

"I found an error, but it is not **material** to the financial statements."

Materiality is a dollar threshold that an auditor calculates in order to help him or her determine the quantitative and qualitative aspects of errors or findings that would cause an agency's financial statements to be misstated or incorrect to such an extent that they would be misleading.

If material mistakes in financial statements are not corrected, the CPA is required to modify or add qualifying language to the auditor's opinion<sup>2</sup>, or the accountant's review or compilation report<sup>3</sup>.

The concept of materiality is referenced in the third paragraph of the standard auditor's opinion:  
*Our (the CPA's) responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from **material** misstatement.*

Similar language regarding materiality of financial statements is included in an accountant's review report.

A CPA calculates a materiality threshold (or materiality thresholds, for various components of the financial statements) during the planning and performance of the audit. The materiality threshold is based on a formula that the CPA feels is appropriate for the audit.

Quantitative and qualitative factors go into the calculation of materiality. Problems observed by the auditor in his or her tests of transaction types that may not necessarily be of a high dollar amount (such as travel expenditures) may indicate overall problems in the way that a local auditee's management is administering the public funds it receives; and may require that the auditor expand his or her procedures (in other words, perform more tests) to determine whether there are problems

in the agency's other processes.

The materiality threshold is one of the tools that the CPA uses to:

Determine which of the local auditee's processes and transactions to test

Determine whether the exceptions noted in the processes and transactions tested will trigger findings that will be included in the audit report

Assess and evaluate the changes in account balances between years

Determine whether uncorrected errors in the financial statements or the notes to the financial statements are significant enough to warrant an opinion modification

The calculation of materiality is the judgment of the auditor, and may vary from auditor to auditor, and from engagement to engagement. It also may change as the engagement progresses.

The dollar threshold of materiality is not something an auditor usually shares with the agency he or she is auditing.

## QUESTIONS:

**Q.** Why wouldn't a CPA share the materiality threshold with the auditee? Why is it such a big secret?

**A.** The materiality threshold is not a disclosure that the CPA is required to make to the auditee. Some CPAs are comfortable sharing this information with the auditee; others are not. Some CPAs feel that sharing this information with the auditee will compromise the performance of their audit. This is a decision that each CPA must make, using their professional judgment.

**Q.** The CPA firm that is performing my agency's audit is proposing an adjustment to the financial statements that I don't think is material. Can I use this as support for not making the adjustment?

**A.** You can, but unless the CPA firm has shared the materiality threshold that it is using, it may not support your argument. The auditor bases his or her opinion on a materiality level that the auditor determines, not the auditee. The auditor will consider an auditee's argument that an adjustment is immaterial, and may accept it; but ultimately it is the auditor that determines whether, in his or her opinion, the financial statements are fairly stated, in all material respects.

**Q.** The CPA firm performing my agency's audit shared his materiality threshold with me. He proposed that we disclose a related party transaction in the notes to the financial statements. The amount of the transaction is below the materiality threshold. I don't want to make the adjustment, but the CPA said he will need to modify his opinion if I don't. Is he correct?

**A.** If the amount of an identified misstatement is immaterial **quantitatively**, but the CPA determines that the nature of the misstatement causes it to be material **qualitatively**; the CPA may modify his

or her opinion on the financial statements. A disclosure regarding a related party transaction may be qualitatively material, and the CPA would be justified in modifying his opinion if the disclosure was not made.

**Q.** Since the materiality threshold is subjective, wouldn't that also make it a flawed measurement?

**A.** Although a materiality threshold is subjective, it is based upon the professional judgment of the CPA, who is using his or her experience in performing audits to make the calculation. The CPA must also follow the guidance found in generally accepted auditing standards<sup>4</sup> to develop and apply the materiality threshold in his or her audit engagements.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1160-types-of-auditors-opinions>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1150-auditors-opinions-and-accountants-reports>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Reporting Fraud To The Legislative Auditor ( 500-1260 )

The audit law<sup>1</sup> (Louisiana Revised Statute (R.S.) 24:523 A.<sup>2</sup>) states,

An agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. "Reasonable cause" shall include information obtained as a result of the filing of a police report, an internal audit finding, or other source indicating such a misappropriation of agency funds or assets has occurred. The district attorney, or other prosecutorial agency, notified of such misappropriation may request audit assistance from the legislative auditor with respect to the misappropriation.

This revised statute requires the agency head (as defined in R.S. 42:1102 (2) (a) and (3)<sup>3</sup>) to report any misappropriation of public funds that has occurred within their agency to the Louisiana Legislative Auditor (LLA) and the district attorney (DA) of the local auditee's<sup>4</sup> respective judicial district. The notification must be made when the agency head becomes aware that a misappropriation has occurred. The notification must be in writing.

#### **QUESTIONS:**

**Q.** What would be an example of an agency head?

**A.** The agency head is the chief executive or administrative officer of an agency, or any member of a board or commission who exercises supervision over the agency. For example, for the purposes of R.S. 24:523 A., the agency head of a town would be the mayor.

**Q.** What form does the notification need to be in?

**A.** The notifications required by R.S. 24:523 A. usually come to LLA by letter, written by either the agency head of the local auditee or the local auditee's legal counsel. The local auditee may write separate notification letters to LLA and the DA, or one notification letter addressed jointly to LLA and the DA.

**Q.** How much information is required to be included in the letter about the misappropriation?

**A.** The law is silent as to the extent of the notification; but it is recommended that the agency head include everything about the misappropriation that is known at the time.

**Q.** The notification in R.S. 24:523 A. must be made when the agency head has either "actual knowledge" or "reasonable cause to believe" that a misappropriation of public funds or assets has occurred. The second criterion appears to be at a much lower level than the first. If I as an agency

head am not 100% sure that a misappropriation has occurred, should I make the notification to LLA and the DA that is required in R.S. 24:523 A.?

**A.** LLA recommends that the agency head make the notification as soon as they believe that a misappropriation of public funds may have occurred. If the agency is not sure whether a misappropriation has occurred or the amount of the misappropriation, it is still best to contact the LLA and the district attorney as soon as possible

**Q.** How much time does the agency have to make the notification after discovery of a misappropriation?

**A.** The law states that the notification must be made **immediately**, but does not define the term. LLA recommends that the notification be done as soon as possible after the agency head believes that a misappropriation of public funds may have occurred.

**Q.** Does the law allow my agency time to conduct an investigation to determine the amount of the misappropriation before we notify LLA and the DA?

**A.** The law appears to require that an agency head notify LLA and the DA immediately upon learning of the existence of a misappropriation. It does not appear to allow the agency head time to investigate the misappropriation to determine the amount prior to the notification.

**Q.** At what point is an agency head required to report a misappropriation to law enforcement?

**A.** The law is silent on this matter. LLA recommends that the agency head of a local auditee should report a misappropriation to law enforcement at the same time the notification is sent to LLA and the DA – as soon as the agency head believes that a misappropriation of public funds may have occurred.

**Q.** What happens after the notification is made to LLA and the DA?

**A.** That depends on the stage of the investigation. If the investigation of the misappropriation is in the initial stage, LLA may offer its resources to assist in the investigation. If the investigation is complete, LLA will send the misappropriation notice to the CPA firm<sup>5</sup> performing the local auditee's audit or other engagement, and ask them to make sure that the misappropriation is reported in the local auditee's next annual financial report.

**Q.** I work for a local auditee and am aware of a misappropriation that has occurred. I am not the agency head; in fact, I believe the agency head is involved in the misappropriation. What should I do?

**A.** You can either send a notification to LLA's fraud hotline<sup>6</sup>, or you can call LLA (225) 339-3800 and ask to speak to the Director of Investigative Audit Services.

## Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://legis.la.gov/Legis/Law.aspx?d=84144>

3. <http://legis.la.gov/Legis/Law.aspx?d=99214>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1190-allegations-misappropriation-notice-and-other-lla-notifications-to-cpas>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1070-legislative-auditor-fraud-hotline>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Legislative Auditor Assistance To Local Auditees ( 500-1270 )

The Louisiana Legislative Auditor (LLA) has broad authority under the audit law<sup>1</sup> (Louisiana Revised Statutes 24:513<sup>2</sup>) to audit state and local government agencies and quasi-public organization (local auditees<sup>3</sup>); and to regulate the audits and other engagements of agencies that report to LLA that are performed by certified public accounting (CPA) firms.

As part of this authority, LLA provides a broad range of technical assistance, including advice about legal, accounting, auditing and reporting issues; and other services to local auditees.

LLA has a wealth of information on its website, including:

The list of approved CPA firms<sup>4</sup> that may perform local auditee audit, review/attestation and compilation engagements; and peer reviews for these firms

Accounting guidance, including the Louisiana Governmental Audit Guide<sup>5</sup>

Legal guidance<sup>6</sup>

Best practices documents; useful to local auditees to develop or improve their system of internal controls<sup>7</sup>

If a local auditee has a question, they should first start by contacting the Local Government Services (LGS) section of LLA<sup>8</sup>. LGS processes the audit, review/attestation and compilation engagements and reports of local auditees. LGS initiates most of the correspondence sent to local auditees by LLA. LGS personnel will refer local auditee questions that they cannot answer to the appropriate department within LLA.

LLA's Advisory Services staff provides assistance to local auditees wishing to improve their operations and financial reporting quality.

LLA's Investigative Services staff will help those local auditees that believe a fraud or misappropriation of public funds has occurred in their agency.

LLA's Legal staff will provide answers to legal questions of local auditees pertaining to the Local Government Budget Act, the Public Bid Law, laws regarding public records, and other matters pertaining to the laws local auditees must follow.

In 2015 LLA implemented the Center for Local Government Excellence<sup>9</sup>, a multi-level training and certification program that discusses the internal control, accounting, financial reporting, legal and other issues regarding the operations of local government. The classes are presented periodically throughout the state, and the class materials are available on LLA's website.

## **QUESTIONS:**

**Q.** I am a local auditee that cannot afford to pay for my audit. Will LLA perform my audit at no cost?

**A.** You should send a letter to the Legislative Audit Advisory Council<sup>10</sup> describing your agency's situation, and asking if LLA may perform your agency's audit. However, due to limited staff, LLA may not be able to perform your agency's audit.

## **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
2. <http://www.legis.la.gov/Legis/Law.aspx?d=84127>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
4. <https://lla-craft.rockitscienceagency.com/resources/approved-cpas>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1050-louisiana-governmental-audit-guide>
6. <https://lla.la.gov/faqs>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1240-internal-controls>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
9. <https://lla.la.gov/go/AK4TAC>
10. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1060-legislative-audit-advisory-council>

*NB: This document is the current version as of 04-27-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Unresolved Findings And The Three Strikes Rule ( 500-1280 )

Most local government agencies and quasi-public organization (local auditee<sup>1</sup>) employees try to be good stewards of public funds. They implement good internal controls<sup>2</sup> over their processes. They follow the laws and regulations applicable to their agency. If a finding<sup>3</sup> is included in their annual financial report, they correct it as soon as they can.

Unfortunately, some local auditees have the same findings repeated year after year in their audit, review/attestation or compilation reports, and never make any apparent effort to correct them. Writing repeat findings is frustrating to the CPA having to write them, and is equally frustrating to the taxpayers whose money goes to support an agency whose employees are not fulfilling their fiduciary responsibilities.

The problem of unresolved, repeated findings in local auditees' reports was addressed by Act 462 of the 2015 Legislative Session. Act 462 amended the audit law<sup>4</sup> (Louisiana Revised Statute (R.S.) 24:554 (B)<sup>5</sup>) to authorize the Legislative Audit Advisory Council <sup>6</sup>(LAAC) to direct the state treasurer to withhold funds from any local auditee that has failed for three consecutive years, and **without appropriate cause**, to resolve the findings contained in the local auditee's annual financial report ("**without appropriate cause**" means there is no apparent reason that the finding hasn't been corrected). Act 462 of the 2015 Legislative Session is also referred to as the **three strikes law**.

The Louisiana Legislative Auditor (LLA) has developed a system for tracking report findings that have remained unresolved for three years or more. As a CPA submits each local auditee's report through the web portal<sup>7</sup> on LLA's website, the CPA inputs information into the portal about any findings and management letter comments that are included in the report. These findings are evaluated by LLA in order to make recommendations to LAAC regarding the local auditees whose findings have remained unresolved, without cause, for three years or more.

In order to avoid the repercussions of the three strikes law, including loss of state funding to their agency, local auditees should resolve their findings as soon as they possibly can. If the local auditee is not sure how a finding can be resolved, the CPA who performs the agency's audit will be able to give them guidance.

### QUESTIONS:

**Q.** Will LLA refer a local auditee to LAAC if a finding has been repeated in its audit reports for three years or more that is with appropriate cause – that is, if there is a legitimate reason it has not been resolved?

**A.** LLA does not plan to submit a repeated finding to LAAC if there is a good reason the finding has not been resolved. An example of this type of finding is inadequate segregation of duties due to small staff size – such as a small utility district that has one clerk who collects and deposits utility receipts, enters transactions into the district’s accounting system, and reconciles the bank account. Correction of the finding may mean hiring additional personnel, which may not be a feasible option for a small agency. However, the local auditee should consult with their CPA firm to determine if there are low-cost or no-cost ways for their agency to mitigate or alleviate the risk associated with a finding that is with cause. To continue with the example of the utility district, the risk associated with inadequate segregation of duties (the clerk handles all accounting processes) will be somewhat mitigated if the board chairperson opens and reviews the bank statement before giving it to the clerk for reconciliation purposes.

**Q.** The CPA that performs my agency’s audit also prepares our financial statements. We have chosen to do this because there is no one in our organization who has the skill to prepare our financial statements in accordance with generally accepted accounting principles. The CPA writes a finding on this every year; he has explained to us that he is required to do so by the auditing standards he has to follow, and we understand his reasoning. Will this kind of finding be referred to LAAC? The reason we ask him to prepare our financial statements is to make sure they are correct.

**A.** This is an example of a finding that is with cause – there is a good reason it has not been corrected. LLA does not plan to refer this type of finding to LAAC.

**Q.** My agency is very careful every year to adjust our budget so that any variances are within the percentage allowed by law. Every year it seems that the CPA who performs the audit proposes adjustments to my agency’s financial statements that cause our budget variances to exceed the allowed percentage, and the CPA writes a finding. Will this kind of finding be referred to LAAC?

**A.** This is another example of a finding that is with cause – correction of the finding is not within the control of the agency. LLA does not plan to refer this type of finding to LAAC.

**Q.** What are the consequences to my agency if the CPA reports findings involving fraud, misappropriations, ethics violations or other matters?

**A.** LLA refers these findings to other agencies for further action:

Findings of fraud and misappropriations are referred to the district attorney of the judicial district in which the agency is domiciled

Ethics violations are reported to the Louisiana Board of Ethics

## Public bid law findings are reported to the Louisiana Attorney General

### Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1240-internal-controls>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1180-findings-and-management-letter-comments>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/the-audit-law>
5. <http://legis.la.gov/Legis/Law.aspx?d=84151>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1060-legislative-audit-advisory-council>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1230-submitting-a-report-to-the-legislative-auditor>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Disputes Between The Local Auditee And Their Auditor ( 500-1290 )

The relationship between local governments and quasi-public organizations (local auditees<sup>1</sup>) and the CPA firm that performs their audit, review/attestation or compilation engagement is usually cordial and professional. However, because local auditees and CPAs are human beings, there will sometimes be disagreements between them.

The following questions and answers address common conflicts between local auditees and their CPA firms, and the recommended resolution. Specific questions should be directed to the Louisiana Legislative Auditor's (LLA's) Local Government Services Engagement Manager<sup>2</sup>.

#### QUESTIONS:

**Q.** I have hired a CPA firm to perform my agency's statutorily required audit. The CPA will not respond to my requests to start the audit. It is getting close to the due date of the report. What should I do?

**A.** Contact LLA's Engagement Manager<sup>2</sup>. LLA's staff will contact the CPA and instruct him or her to make arrangements with you to begin the audit. If the CPA does not respond to LLA's requests, the engagement will be cancelled, and you will be asked to retain the services of another CPA firm to perform the engagement, and to file an extension request<sup>3</sup> for the report.

**Q.** The CPA who is performing my agency's audit is asking for a lot of information that I don't think pertains to my financial statements. Must I give these items to him?

**A.** A CPA's main responsibility during an audit is to determine whether an agency's financial statements are materially correct. In order to make that determination, a CPA will look at information that may not appear to be related to the financial statements. In addition, a CPA performing an audit under *Government Auditing Standards*<sup>4</sup> is required to test the agency's compliance with laws and regulations. Because the CPA is the one who is performing the audit and is the one who has to sign the audit report, LLA will generally not overrule the CPA's professional judgment in choosing the documents he or she chooses to review. The agency is always free to call LLA's Engagement Manager<sup>2</sup> to discuss any concerns about the performance of the audit.

**Q.** The CPA who is performing my agency's audit is asking for information that was not on the list of records he requested when I signed the engagement agreement. Shouldn't the auditor have known what records he would need before the engagement started?

**A.** An auditor should give the agency a list of records and other information he or she needs before the audit begins. However, it is normal for questions to arise during the performance of an audit

that make it necessary for the auditor to obtain information that wasn't on the original list. The agency should provide the CPA with the additional records he or she requests in a timely manner.

**Q.** The CPA is asking me to make adjustments to the financial statements that I don't want to make. What will happen if I don't make these adjustments?

**A.** The CPA "owns" five components of an agency's annual financial report –

The auditor's opinion; or the accountant's review or compilation report

The *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* (Yellow Book report), which is included with an agency's audit report If the audit is performed under Government Auditing Standards. This is the report in which the auditor summarizes the results of his/her tests of laws and regulations material to the financial statements and internal control over financial reporting. A comparable document in a review/attestation engagement is the independent accountant's report on applying agreed-upon procedures.

The *Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance* (Single Audit Report), which is included with an agency's annual financial report if the agency expended \$750,000 or more in federal funds during their fiscal year. This is the report in which the auditor summarizes the results of his/her tests over federal programs.

The Schedule of Current Year Findings or Schedule of Findings and Questioned Costs<sup>5</sup> related to findings in the Yellow Book report, Single Audit report, or agreed-upon procedures report

Management letter and comments<sup>6</sup> related to less material findings that the CPA feels need to be brought to the attention of the agency

The agency owns the rest of the information in its annual financial report. If the agency does not want to make the changes the CPA is proposing to its financial statements it certainly may; but it needs to understand that the CPA may not be able to render a clean auditor's opinion as a result. In a review/attestation or compilation engagement, the CPA may need to note in the or accountant's review or compilation report that the agency did not make the proposed adjustments; or may need to withdraw from the engagement altogether. LLA may also ask the CPA to prepare a finding or management letter comment if the agency's refusal to make an adjustment causes its financial statements not to be in accordance with generally accepted accounting principles<sup>7</sup>.

**Q.** I don't agree with a finding the CPA wants to include in my agency's report. I want him to remove it. Will LLA back me up?

**A.** The CPA who performed your agency's audit, not LLA, performed and evaluated the results of those tests that led to the findings in your agency's report. For this reason, and for the reasons in

the Q&A above, LLA generally will not override a CPA's professional judgment regarding the findings he or she feels need to be included in a report.

**Q.** The CPA who performed our agency's audit said he will be rendering a disclaimer of opinion on our financial statements. I want him to change the opinion to a clean opinion. Will LLA back me up?

**A.** The CPA who performed your agency's audit, not LLA, performed and evaluated the results of those tests that led to the opinion in your agency's report. For this reason, and for the reasons in the Q&A above, LLA generally will not override a CPA's professional judgment regarding the opinion he or she feels should be rendered on an agency's financial statements.

**Q.** I gave the CPA everything he has requested to complete the audit weeks ago, and he said the report is finished. However, the CPA has not submitted it to LLA. The due date of the report is next week. What should I do?

**A.** Call the CPA to verify that he actually does have all of the information needed to finish the audit and submit the report to LLA. If the CPA has all of the information and appears to be unnecessarily holding up the submission of the report to LLA, please call LLA's Engagement Manager<sup>2</sup>.

**Q.** We do not want to hire our agency's prior year CPA firm to perform our next audit. We have not signed a contract with them for the current year. Do we need to notify LLA if we want to change auditors?

**A.** A local auditee is generally free to change auditors. When the engagement approval form is submitted to LLA by the new auditor, LLA staff will contact the local auditee and the prior CPA firm to determine the reason for the change in auditors. LLA does this to ensure that the agency is not "opinion shopping," or hiring a new auditor because the agency did not like the prior auditor's opinion or findings.

**Q.** I am a member of the board of a local government that reports to LLA. A misappropriation of funds occurred during the last fiscal year that was not caught by the auditor. I am sure that the auditor is not doing his job during the performance of his annual audit, and I want LLA to perform the audit. How may I request this?

**A.** Please refer to the document What is An Audit?<sup>8</sup> There may be legitimate reasons that an auditor did not detect the misappropriation of funds during the course of the audit. An agency may request that LLA perform its annual audit, but due to staffing constraints, LLA may be unable to comply with the request.

**Q.** We do not want to hire our agency's prior year CPA firm to perform our next audit. Because of a dispute over the fees, we have not paid them in full. Will it be a problem for us to hire a new CPA firm?

**A.** CPA firms are entitled to be paid for the work they have performed. One of the questions LLA asks the prior CPA firm when there is a change of CPA is whether they have been paid in full for the prior audit. LLA will not approve a new CPA firm for the current year audit if the prior CPA firm

has not been paid, and a payment plan or waiver of fees has not been worked out between the local auditee and the prior CPA firm.

**Q.** We do not want to retain our prior year CPA firm to perform our agency's next audit, but we have a contract with them for one more year. What do we do?

**A.** An engagement agreement is a legally binding contract. LLA will not cancel an engagement agreement upon the unilateral request of a local auditee, except when there are extenuating circumstances, such as non-performance of the engagement by the CPA firm. If a local auditee wishes to cancel the engagement agreement, they should meet with the CPA firm to determine if this is acceptable to them. If the CPA firm does not wish to cancel the engagement, it is recommended that the local auditee consult with their legal counsel. See also [Cancelling An Engagement](#)<sup>9</sup>.

**Q.** We are happy with our CPA firm's audit work, but not with the fees they charge. What is our recourse?

**A.** A local auditee should not sign an engagement agreement with a firm if the engagement agreement does not include a not-to-exceed amount. The engagement agreement should also contain a provision that any additional fees will be agreed to, in writing, by the local auditee and the CPA firm, before the additional work is performed. This protects both parties to the engagement.

LLA will not normally intrude upon the fee arrangements between a local auditee and their CPA firm. The local auditee should contact the CPA firm directly to discuss any questions about their fee arrangements.

If the local auditee feels the CPA firm is charging too much for the audit, the local auditee should ask the CPA firm if there is assistance that the agency may provide to the CPA firm during the course of the engagement that would reduce the audit fee. The agency may also wish to contact other agencies of similar size to determine whether the fee their auditor is charging is unreasonably high.

A local auditee should keep in mind that an inexpensive audit is not necessarily a bargain. An auditor who charges more may also be giving the agency valuable advice regarding its operations during the course of the audit.

If after following these steps the local auditee still feels that the auditor charges too much, the agency is always free to engage another CPA firm to perform their audit in subsequent years.

## Links:

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/200-1020-local-government-agencies-and-quasi-public-organizations-local-auditees>
2. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1210-extension-requests>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1070-generally-accepted-auditing-standards-and-generally-accepted-government-auditing-standards>
5. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1200-schedules-of-current-and-prior-year-findings-and-the-management-letter>
6. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1180-findings-and-management-letter-comments>
7. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1060-generally-accepted-accounting-principles>
8. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1050-what-is-an-audit>
9. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1140-cancelling-an-engagement>

*NB: This document is the current version as of 04-13-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Newly Elected Officials ( 500-1300 )

The day-to-day financial realities of running a local government often come as a shock to newly elected officials.

Newly elected officials may find themselves dealing with an antiquated computerized financial reporting system. They may be unfamiliar with the reporting requirements for a local government. They must decide whether to keep their old auditor, or hire a new one. They may suddenly have to deal with legal issues regarding the local government's budget, public records, or adherence to the public bid law.

The Louisiana Legislative Auditor (LLA) has many resources available to assist newly elected officials. For a complete list of the assistance LLA offers, please see [Legislative Auditor Assistance to Local Auditees](#)<sup>1</sup>.

One outreach effort LLA implemented in 2015 that newly elected officials have found to be especially helpful is the Center for Local Government Excellence (CLGE)<sup>2</sup>, a multi-level training and certification program that discusses the internal control, accounting, financial reporting, legal and other issues regarding the operations of local government. The classes are presented periodically throughout the state, and the class materials are available on LLA's website. Challenges faced by newly elected officials are specifically discussed in CLGE training, including the [Checklist for Newly Elected Officials](#).

#### QUESTIONS:

**Q.** I am a newly elected official and want to hire a new audit firm to perform my agency's audit. Am I required to retain the audit firm from the old administration if there is a multi-year contract that extends into my administration? May I sign a contract with a new audit firm before I take office?

**A.** If a newly elected official wishes to cancel a multi-year engagement that was entered into under a previous administration, they should consult with their legal counsel to determine whether they may do so. They must also contact LLA's Local Government Services Engagement Manager<sup>3</sup>. However, the new administration may not enter into any contract for the agency until they actually take office.

**Q.** I am a newly elected official of a local government, taking office in January. My agency has a 6/30 fiscal year end. I am certain that the prior administration misappropriated public funds. I do not

want any findings associated with the old administration in the audit report of my new administration. May I engage a CPA firm to perform an audit on the portion of the fiscal year that pertains to the old administration, and a separate audit on the portion of the fiscal year that pertains to my new administration?

**A.** What you are describing is referred to as a “cut-off audit.” Cut-off audits are usually not approved by LLA. Local auditees must provide for a financial report for the agency’s entire fiscal year, not part of it. In addition, the audit is on the agency or office, not on the particular person holding the office. If significant findings from a prior administration are included in a new administration’s audit report, an appropriate response from the new administration is that controls have been put in place to ensure that the problems from the old administration are not repeated. Then, the new administration should follow through to ensure that these problems are not repeated. If the findings are corrected by the new administration, this will be reported in the subsequent year’s audit.

If you have concerns about specific types of transactions (such as travel or credit cards) that have been abused, you can hire an approved CPA firm to perform an agreed upon procedures engagement <sup>4</sup>relative to these transactions. These types of engagements are limited to the areas of concern, and often provide more information, at a lower cost, than a cut-off audit.

### **Links:**

1. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/500-1270-legislative-auditor-assistance-to-local-auditees>
2. <https://lla.la.gov/go/AK4TAC>
3. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/100-1090-staff-directory>
4. <https://lla.la.gov/resources/local-government-reporting/la-government-audit-guide/400-1110-agreed-upon-procedures-and-examination-engagements>

*NB: This document is the current version as of 04-27-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Louisiana Legislative Auditor Requirements for Audit Engagement Agreements ( 600-1010 )

#### Louisiana Legislative Auditor Requirements for Audit Engagement Agreements

1

#### Links:

1. [https://cms.lla.la.gov/assets/lagag/LOUISIANA-LEGISLATIVE-AUDITOR-REQUIREMENTS-FOR-AUDIT-ENGAGEMENT-AGREEMENTS\\_2021.docx](https://cms.lla.la.gov/assets/lagag/LOUISIANA-LEGISLATIVE-AUDITOR-REQUIREMENTS-FOR-AUDIT-ENGAGEMENT-AGREEMENTS_2021.docx)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Attachment to School Board and Charter School Audit Engagement Agreements - Agreed-Upon Procedures for Schedules of Performance and Statistical Data Required by Louisiana Revised Statute 24:514 I. ( 600-1020 )

Attachment to School Board and Charter School Audit Engagement Agreements - Agreed-Upon Procedures for Schedules of Performance and Statistical Data Required by Louisiana Revised Statute 24:514 I.

1

### Links:

1. [https://cms.la.la.gov/assets/lagag/attachment-to-audit-engagement-agreement-school-board-performance-measures\\_ssae-19.docx](https://cms.la.la.gov/assets/lagag/attachment-to-audit-engagement-agreement-school-board-performance-measures_ssae-19.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Sample Review/Attestation Engagement Agreement - Governmental Agency| Quasi-Public Agency or Charter School ( 600-1030 )

Sample Review/Attestation Engagement Agreement - Governmental Agency| Quasi-Public Agency or Charter School  
1

Links:

- 1. [https://cms.lla.la.gov/assets/lagag/SAMPLE-REVIEW-ATTESTATION-ENGAGEMENT-AGREEMENT\\_ssae-19.docx](https://cms.lla.la.gov/assets/lagag/SAMPLE-REVIEW-ATTESTATION-ENGAGEMENT-AGREEMENT_ssae-19.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Attachment to Review/Attestation Engagement Agreement - Agreed-Upon Procedures for Governmental Agency ( 600-1040 )

AGREED UPON PROCEDURES GOVERNMENTAL AGENCY 2023

1

Links:

1. [https://cms.lla.la.gov/assets/lagag/AGREED-UPON-PROCEDURES-GOVERNMENTAL-AGENCY\\_2023.docx](https://cms.lla.la.gov/assets/lagag/AGREED-UPON-PROCEDURES-GOVERNMENTAL-AGENCY_2023.docx)

*NB: This document is the current version as of 05-05-2023.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Attachment to Review/Attestation Engagement Agreement - Agreed-Upon Procedures for Quasi-Public Agency ( 600-1050 )

Attachment to Review/Attestation Engagement Agreement - Agreed-Upon Procedures for Quasi-Public Agency  
1

Links:

1. [https://cms.lla.la.gov/assets/lagag/AGREED-UPON-PROCEDURES-QUASI-PUBLIC-AGENCY\\_2020.docx](https://cms.lla.la.gov/assets/lagag/AGREED-UPON-PROCEDURES-QUASI-PUBLIC-AGENCY_2020.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Attachment to Review/Attestation Engagement Agreement - Agreed-Upon Procedures for Charter School ( 600-1060 )

Attachment to Review/Attestation Engagement Agreement - Agreed-Upon Procedures for Charter School  
1

Links:

1. [https://cms.lla.la.gov/assets/lagag/AGREED-UPON-PROCEDURES-CHARTER-SCHOOL\\_2021.docx](https://cms.lla.la.gov/assets/lagag/AGREED-UPON-PROCEDURES-CHARTER-SCHOOL_2021.docx)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Sample Compilation Engagement Agreement ( 600-1070 )

## Sample Compilation Engagement Agreement

1

### Links:

1. [https://cms.lla.la.gov/assets/lagag/SAMPLE-COMPILATION-ENGAGEMENT-AGREEMENT\\_2021.docx](https://cms.lla.la.gov/assets/lagag/SAMPLE-COMPILATION-ENGAGEMENT-AGREEMENT_2021.docx)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Louisiana Legislative Auditor Requirements for Non-Routine Engagements ( 600-1080 )

### Louisiana Legislative Auditor Requirements for Non-Routine Engagements

1

#### Links:

1. [https://cms.la.la.gov/assets/lagag/LOUISIANA-LEGISLATIVE-AUDITOR-REQUIREMENTS-FOR-NON-ROUTINE-ENGAGEMENTS\\_2021.docx](https://cms.la.la.gov/assets/lagag/LOUISIANA-LEGISLATIVE-AUDITOR-REQUIREMENTS-FOR-NON-ROUTINE-ENGAGEMENTS_2021.docx)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Louisiana Compliance Questionnaire - Governmental Agency ( 600-1090 )

### Louisiana Compliance Questionnaire - Governmental Agency

1

#### Links:

1. [https://cms.lla.la.gov/assets/lagag/LOUISIANA\\_AUDIT\\_COMPLIANCE\\_QUESTIONNAIRE\\_government\\_2021.docx](https://cms.lla.la.gov/assets/lagag/LOUISIANA_AUDIT_COMPLIANCE_QUESTIONNAIRE_government_2021.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Louisiana Compliance Questionnaire - Quasi-Public Agency ( 600-1110 )

Louisiana Compliance Questionnaire - Quasi-Public Agency

1

Links:

1. [https://cms.lla.la.gov/assets/lagag/LOUISIANA\\_AUDIT\\_COMPLIANCE\\_QUESTIONNAIRE\\_quasi-public\\_2021.docx](https://cms.lla.la.gov/assets/lagag/LOUISIANA_AUDIT_COMPLIANCE_QUESTIONNAIRE_quasi-public_2021.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Louisiana Compliance Questionnaire - Charter School ( 600-1120 )

Louisiana Compliance Questionnaire - Charter School

1

Links:

- 1. [https://cms.lla.la.gov/assets/lagag/LOUISIANA\\_AUDIT\\_COMPLIANCE\\_QUESTIONNAIRE\\_charter\\_school\\_2021.docx](https://cms.lla.la.gov/assets/lagag/LOUISIANA_AUDIT_COMPLIANCE_QUESTIONNAIRE_charter_school_2021.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Louisiana Attestation Questionnaire - Governmental Agency ( 600-1130 )

Louisiana Attestation Questionnaire - Governmental Agency

1

Links:

1. [https://cms.lla.la.gov/assets/lagag/LOUISIANA-ATTESTATION-QUESTIONNAIRE\\_governmental-agency\\_ssae-19.docx](https://cms.lla.la.gov/assets/lagag/LOUISIANA-ATTESTATION-QUESTIONNAIRE_governmental-agency_ssae-19.docx)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Louisiana Attestation Questionnaire - Quasi-Public Agency ( 600-1140 )

## Louisiana Attestation Questionnaire - Quasi-Public Agency

1

### Links:

1. [https://cms.lla.la.gov/assets/lagag/LOUISIANA-ATTESTATION-QUESTIONNAIRE\\_quasi-public\\_ssae-19.docx](https://cms.lla.la.gov/assets/lagag/LOUISIANA-ATTESTATION-QUESTIONNAIRE_quasi-public_ssae-19.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Louisiana Attestation Questionnaire - Charter School ( 600-1150 )

Louisiana Attestation Questionnaire - Charter School

1

Links:

1. [https://cms.lla.la.gov/assets/lagag/LOUISIANA-ATTESTATION-QUESTIONNAIRE\\_charter-school-ssae-19.docx](https://cms.lla.la.gov/assets/lagag/LOUISIANA-ATTESTATION-QUESTIONNAIRE_charter-school-ssae-19.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Sample Attestation Report on Applying Agreed-Upon Procedures - School Board/Charter Schools Performance Measures ( 600-1170 )

Sample Attestation Report on Applying Agreed-Upon Procedures - School Board/Charter Schools Performance Measures  
1

Links:

- 1. [https://cms.lla.la.gov/assets/lagag/sample-attestation-report-sb-ch-performance-measures\\_ssae-19.docx](https://cms.lla.la.gov/assets/lagag/sample-attestation-report-sb-ch-performance-measures_ssae-19.docx)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### School Performance Measures Schedules - 2020 and 2021 ( 600-1180 )

#### **School Performance Measures Schedules - 2021**

**1**

#### **School Performance Measures Schedules - 2022**

**2**

#### **BESE Agreed Upon Procedures 2021 - 2022**

**3**

#### **Links:**

1. <https://cms.lla.la.gov/assets/lagag/sb-cb-performance-measures-schedules-2020.xlsx>
2. <https://cms.lla.la.gov/assets/lagag/sb-cb-performance-measures-schedules-2022.xlsx>
3. <https://cms.lla.la.gov/assets/images/BESE-Agreed-Upon-Proc-Schedule-Glossary-FY-2021-22-Single-Audits.docx>

*NB: This document is the current version as of 09-29-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Department of Education Assurance Schedules Glossary - 2021 and 2022 ( 600-1190 )

Assurance Glossary 2021

1

Assurance Glossary 2022

2

Links:

- 1. [https://cms.lla.la.gov/assets/lagag/Assurance\\_Glossary\\_2021.docx](https://cms.lla.la.gov/assets/lagag/Assurance_Glossary_2021.docx)
- 2. <https://cms.lla.la.gov/assets/lagag/BESE-Agreed-Upon-Proc-Schedule-Glossary-FY-2021-22-Single-Audits.docx>

*NB: This document is the current version as of 09-29-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Sample Review Report ( 600-1200 )

#### Sample review report 2021

1

#### Links:

1. <https://cms.lla.la.gov/assets/lagag/sample-review-report-2021.docx>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Sample Attestation Report on Applying Agreed-Upon Procedures - Governmental Agency ( 600-1210 )

Sample attestation report governmental agency ssae 19  
1

Links:

- 1. [https://cms.lla.la.gov/assets/lagag/sample-attestation-report-governmental-agency\\_ssae-19.docx](https://cms.lla.la.gov/assets/lagag/sample-attestation-report-governmental-agency_ssae-19.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Sample Attestation Report on Applying Agreed-Upon Procedures - Quasi-Public Agency ( 600-1220 )

Sample attestation report quasi public agency ssae 19

1

Links:

- 1. [https://cms.lla.la.gov/assets/lagag/sample-attestation-report-quasi-public-agency\\_ssae-19.docx](https://cms.lla.la.gov/assets/lagag/sample-attestation-report-quasi-public-agency_ssae-19.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Sample Attestation Report on Applying Agreed-Upon Procedures - Charter School ( 600-1230 )

Sample Attestation Report - Charter School

1

Links:

- 1. <https://cms.lla.la.gov/assets/lagag/sample-attestation-report-charter-school-ssae-19.docx>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Sample Compilation Report ( 600-1240 )

#### Sample compilation report 2021

1

#### Links:

1. [https://cms.lla.la.gov/assets/lagag/sample-compilation-report\\_2021.docx](https://cms.lla.la.gov/assets/lagag/sample-compilation-report_2021.docx)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Sworn Statement - Ad Valorem Taxes - Sheriffs ( 600-1250 )

Sworn Statement Ad Valorem Taxes - Sheriffs

1

Links:

- 1. <https://cms.lla.la.gov/assets/lagag/sworn-statement-ad-valorem-taxes-sheriffs.docx>

*NB: This document is the current version as of 12-06-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Sample Footnote Disclosure - Collectors of Taxes Other Than Ad Valorem Taxes ( 600-1260 )

Sample footnote disclosure collectors of taxes other than ad valorem taxes

1

Links:

- 1. <https://cms.lla.la.gov/assets/lagag/sample-footnote-disclosure-collectors-of-taxes-other-than-ad-valorem-taxes.xls>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

District Public Defender Funds Required Reporting Format ( 600-1270 )

District public defender funds required reporting format

1

- Links:
1. <https://cms.lla.la.gov/assets/lagag/district-public-defender-funds-required-reporting-format.xlsx>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Legislative Auditor Finding Template for Reporting Fraud and Misappropriations ( 600-1280 )

#### Louisiana legislative auditors finding template for reporting fraud and misappropriations

1

#### Links:

1. <https://cms.lla.la.gov/assets/lagag/louisiana-legislative-auditors-finding-template-for-reporting-fraud-and-misappropriations.docx>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

CPA Peer Review Authorization Form ( 600-1290 )

CPA Peer Review Authorization Form

1

**Links:**

1. <https://cms.lla.la.gov/assets/lagag/cpa-peer-review-authorization-form.docx>

*NB: This document is the current version as of 12-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Agencies That Must Submit Financial Indicators Worksheet (FIW) With Report ( 600-1300 )

#### Agencies that must submit financial indicators worksheet fiw with report

1

#### Links:

1. <https://cms.lla.la.gov/assets/lagag/agencies-that-must-submit-financial-indicators-worksheet-fiw-with-report.xlsx>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Links to GASB 68 Reports for Louisiana State and Statewide Retirement Systems ( 600-1310 )

LINKS TO GASB 68 REPORTS FOR LOUISIANA STATE AND STATEWIDE RETIREMENT SYSTEMS 2021

1

Links:

1. <https://cms.lla.la.gov/assets/lagag/LINKS-TO-GASB-68-REPORTS-FOR-LOUISIANA-STATE-AND-STATEWIDE-RETIREMENT-SYSTEMS-2021.docx>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Statewide Agreed-Upon Procedures and FAQs ( 600-1320 )

Statewide Agreed-Upon Procedures (Instructions) – FYE 12/31/2022 through 11/30/2023

1

Statewide Agreed-Upon Procedures (FAQ) – FYE 12/31/2022 through 11/30/2023

2

Statewide Agreed-Upon Procedures (Instructions) – FYE 12/31/2021 through 11/30/2022

3

Statewide Agreed-Upon Procedures (FAQ) – FYE 12/31/2021 through 11/30/2022

4

Links:

- 1. [https://cms.lla.la.gov/assets/documents/Year-5-SAUP\\_Instructions\\_and\\_Procedures.docx](https://cms.lla.la.gov/assets/documents/Year-5-SAUP_Instructions_and_Procedures.docx)
- 2. <https://cms.lla.la.gov/assets/documents/Year-5-SAUP-FAQs.docx>
- 3. <https://cms.lla.la.gov/assets/documents/2022.07.12-SAUP-Instructions-year-4.docx>
- 4. <https://cms.lla.la.gov/assets/documents/2022.07.12-SAUP-FAQs.docx>

*NB: This document is the current version as of 12-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Statewide Agreed-Upon Procedures Sample Engagement Agreements ( 600-1330 )

#### Statewide AUP Sample Engagement Agreement (FYE 12/31/2022 - 11/30/2023)

1

#### Statewide AUP Sample Engagement Agreement (FYE 12/31/2021 - 11/30/2022)

2

#### **Links:**

1. <https://cms.lla.la.gov/assets/documents/Year-5-SAUP-Sample-Engagement-Agreement.docx>
2. <https://cms.lla.la.gov/assets/documents/2022.07.12-SAUP-Instructions-year-4.docx>

*NB: This document is the current version as of 12-06-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Statewide Agreed-Upon Procedures Example Reports ( 600-1350 )

Statewide AUP Example Report (FYE 12/31/2022 - 11/30/2023)

1

Statewide AUP Example Report (FYE 12/31/2021 - 11/30/2022)

2

Links:

- 1. <https://cms.lla.la.gov/assets/documents/Year-5-SAUPs-Example-Report.docx>
- 2. [https://cms.lla.la.gov/assets/documents/statewide\\_aups\\_ex\\_report-ssae\\_19.docx](https://cms.lla.la.gov/assets/documents/statewide_aups_ex_report-ssae_19.docx)

*NB: This document is the current version as of 12-06-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Statewide Agreed-Upon Procedures Sample Representation Letters ( 600-1360 )

Statewide AUP Sample Representation Letter (FYE 12/31/2022 - 11/30/2023)

1

Statewide AUP Sample Representation Letter (FYE 12/31/2021 - 11/30/2022)

2

Links:

- 1. <https://cms.lla.la.gov/assets/documents/Year-5-SAUPs-Sample-Representation-Letter.docx>
- 2. [https://cms.lla.la.gov/assets/documents/statewide\\_aups\\_ex\\_rep\\_letter-ssae\\_19.docx](https://cms.lla.la.gov/assets/documents/statewide_aups_ex_rep_letter-ssae_19.docx)

*NB: This document is the current version as of 12-06-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Checklist for Local Auditee Reporting Requirements in the State of Louisiana ( 600-1370 )

#### Checklist of Local Auditee Reporting Requirements in the State of Louisiana

1

#### **Links:**

1. <https://cms.lla.la.gov/assets/lagag/reporting-requirements-in-the-state-of-louisiana-checklist.xlsx>

*NB: This document is the current version as of 07-07-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Justice System Funding Reporting Schedules ( 600-1380 )

#### Act 87 Instructions

1

#### Act 87 Receiving 02 23

2

#### Act 87 Collecting Disbursing 02 23

3

#### Act 87 FAQs 02 22

4

#### Links:

1. [https://cms.lla.la.gov/assets/lagag/Act\\_87\\_Instructions.docx](https://cms.lla.la.gov/assets/lagag/Act_87_Instructions.docx)
2. <https://cms.lla.la.gov/assets/lagag/Act-87-Receiving-02-23.xlsx>
3. <https://cms.lla.la.gov/assets/lagag/Act-87-Collecting-Disbursing-02-23.xlsx>
4. <https://cms.lla.la.gov/assets/lagag/Act-87-FAQs-02-22.docx>

*NB: This document is the current version as of 06-22-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Schedule of Collections, Distributions, and Costs of Collection is required in audit reports of single sales and use tax collectors beginning with fiscal years ending on or after December 31, 2023 ( 600-1265 )

### Instructions for Completing the Schedule of Collections Distributions and Costs of Collection

1

### Schedule of Collections Distributions and Costs of Collections

2

#### Links:

1. <https://cms.lla.la.gov/assets/lagag/Instructions-for-Completing-the-Schedule-of-Collections-Distributions-and-Costs-of-Collection.pdf>
2. <https://cms.lla.la.gov/assets/lagag/Schedule-of-Collections-Distributions-and-Costs-of-Collections.xlsx>

*NB: This document is the current version as of 04-21-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 1 - Revised Louisiana Governmental Audit Guide ( 700-1001 )

#### Audit Risk Alert No 1 Revised Louisiana Governmental Audit Guide

1

#### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-1-revised-louisiana-governmental-audit-guide.pdf>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 2 - Clerks of Court Advance Deposit Funds ( 700-1002 )

Audit risk alert no 2 clerks of court advance deposit funds updated 10 12 21  
1

- Links:
1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-2-clerks-of-court-advance-deposit-funds\\_updated-10-12-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-2-clerks-of-court-advance-deposit-funds_updated-10-12-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 3 - Checklist for Local Auditee Reporting Requirements in Louisiana ( 700-1003 )

Audit risk alert no 3 checklist for local auditee reporting requirements in louisiana updated 10 12 21  
1

Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-3-checklist-for-local-auditee-reporting-requirements-in-louisiana\\_updated-10-12-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-3-checklist-for-local-auditee-reporting-requirements-in-louisiana_updated-10-12-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 4 - Peer Review Authorization Form ( 700-1004 )

Audit risk alert no 4 peer review authorization form

1

- Links:
1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-4-peer-review-authorization-form.pdf>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 5 - Louisiana Governmental Audit Guide May Now Be Printed Out in One Continuous Document ( 700-1005 )

Audit risk alert no 5 audit guide may now be printed out in one continuous document  
1

Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-5-audit-guide-may-now-be-printed-out-in-one-continuous-document.pdf>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 6 - Applicability of Louisiana State Laws to Non-Profit Agencies ( 700-1006 )

Audit risk alert no 6 applicability of louisiana state laws to non profit agencies updated 10 12 21  
1

#### Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-6-applicability-of-louisiana-state-laws-to-non-profit-agencies\\_updated-10-12-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-6-applicability-of-louisiana-state-laws-to-non-profit-agencies_updated-10-12-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 7 - Update to Public Bid Law Frequently Asked Questions (FAQ) Document (700-1007 )

Audit risk alert no 7 Update to Public Bid Law FAQ updated 10 12 21

1

### Links:

1. [https://cms.la.gov/assets/lagag/audit-risk-alert-no.-7-Update-to-Public-Bid-Law-FAQ\\_updated-10-12-21.pdf](https://cms.la.gov/assets/lagag/audit-risk-alert-no.-7-Update-to-Public-Bid-Law-FAQ_updated-10-12-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 8 - Schedule of Compensation|Benefits|and Other Payments to the Agency Head or Chief Executive Officer ( 700-1008 )

Audit risk alert no 8 schedule of compensation benefits and other payments to the agency head or ceo updated 10 12 21  
1

Links:

1. [https://cms.la.la.gov/assets/lagag/audit-risk-alert-no.-8-schedule-of-compensation-benefits-and-other-payments-to-the-agency-head-or-ceo\\_updated-10-12-21.pdf](https://cms.la.la.gov/assets/lagag/audit-risk-alert-no.-8-schedule-of-compensation-benefits-and-other-payments-to-the-agency-head-or-ceo_updated-10-12-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 9 - Data Hosting Services|New LLA Legal White Papers ( 700-1009 )

Audit risk alert no 9 data hosting services new LLA legal white papers updated 8 16 18  
1

#### Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-9-data-hosting-services\\_new-LLA-legal-white-papers-updated-8-16-18.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-9-data-hosting-services_new-LLA-legal-white-papers-updated-8-16-18.pdf)

*NB: This document is the current version as of 08-23-2022.*

**LOUISIANA GOVERNMENTAL AUDIT GUIDE**

**Audit Risk Alert No. 10 - New Statewide Agreed-Upon Procedures - FOR YOUR IMMEDIATE ATTENTION ( 700-1010 )**

**Audit risk alert no 10 new statewide agreed upon procedures updated 10 14 21**  
**1**

- Links:**
1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-10-new-statewide-agreed-upon-procedures\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-10-new-statewide-agreed-upon-procedures_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 11 - Fines, Fees, and Court Costs Collected on Behalf of Other Entities ( 700-1011 )

Audit risk alert no 11 remittance of fines fees court costs updated 10 13 21  
1

Links:

1. [https://cms.la.la.gov/assets/lagag/audit-risk-alert-no.-11-remittance-of-fines-fees-court-costs\\_updated-10-13-21.pdf](https://cms.la.la.gov/assets/lagag/audit-risk-alert-no.-11-remittance-of-fines-fees-court-costs_updated-10-13-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 12 - Revised School Board Performance Measures - 2018 ( 700-1012 )

Audit risk alert no 12 school board performance measures for fye 6 30 18 updated 10 14 21  
1

Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-12-school-board-performance-measures-for-fye-6-30-18\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-12-school-board-performance-measures-for-fye-6-30-18_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 13 - New Statewide Agreed-Upon Procedures Frequently Asked Questions ( 700-1013 )

Audit risk alert no 13 new statewide agreed upon procedures frequently asked questions updated 10 14 21 1

- Links:**
1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-13-new-statewide-agreed-upon-procedures-frequently-asked-questions\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-13-new-statewide-agreed-upon-procedures-frequently-asked-questions_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 14 - Changes in Reporting for Nonprofit Organizations - Improper Payment of Sales and Use Taxes by Local Government Agencies ( 700-1014 )

Audit risk alert no 14 changes in nonprofit reporting payment of sales taxes by local government agencies updated 10 13 21

1

#### Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-14-changes-in-nonprofit-reporting-payment-of-sales-taxes-by-local-government-agencies\\_updated-10-13-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-14-changes-in-nonprofit-reporting-payment-of-sales-taxes-by-local-government-agencies_updated-10-13-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 15 - Required Participation in Pension Systems - Bond Indenture Reporting Requirements ( 700-1015 )

Audit risk alert no 15 participation in pension systems bond indenture reporting requirements updated 10 13 21

1

#### **Links:**

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-15-participation-in-pension-systems-bond-indenture-reporting-requirements\\_updated-10-13-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-15-participation-in-pension-systems-bond-indenture-reporting-requirements_updated-10-13-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

**LOUISIANA GOVERNMENTAL AUDIT GUIDE**

**Audit Risk Alert No. 16 - New Statewide Agreed-Upon Procedures - FOR YOUR IMMEDIATE ATTENTION ( 700-1016 )**

**Audit risk alert no 16 new statewide agreed upon procedures updated 10 14 21**  
**1**

- Links:**
1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-16-new-statewide-agreed-upon-procedures\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-16-new-statewide-agreed-upon-procedures_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 17 - Charter School Ethics Requirements ( 700-1017 )

Audit risk alert no 17 charter school ethics law requirements updated 10 13 21  
1

Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-17-charter-school-ethics-law-requirements\\_updated-10-13-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-17-charter-school-ethics-law-requirements_updated-10-13-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 18 - Louisiana Compliance and Attestation Questionnaires ( 700-1018 )

Audit risk alert no 18 compliance and attestation questionnaires updated 10 13 21

1

Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-18-compliance-and-attestation-questionnaires\\_updated-10-13-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-18-compliance-and-attestation-questionnaires_updated-10-13-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

**LOUISIANA GOVERNMENTAL AUDIT GUIDE**

Audit Risk Alert No. 19 - New Local Auditee Engagement Approval Process|Legal FAQ Documents  
( 700-1019 )

Audit risk alert no 19 new engagement approval process updated 10 13 21  
1

- Links:**
1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-19-new-engagement-approval-process\\_updated-10-13-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-19-new-engagement-approval-process_updated-10-13-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 20 - Amendments to SEC Continuing Disclosure Requirements ( 700-1020 )

Audit risk alert no 20 amendments to sec continuing disclsoure requirements updated 10 13 21  
1

Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-20-amendments-to-sec-continuing-disclsoure-requirements\\_updated-10-13-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-20-amendments-to-sec-continuing-disclsoure-requirements_updated-10-13-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 21 - School Board Performance Measures - 2019 ( 700-1021 )

Audit risk alert no 21 school board performance measures 2019 updated 10 14 21  
1

#### **Links:**

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-21-school-board-performance-measures-2019\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-21-school-board-performance-measures-2019_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 22 - LAGAG Update[Certification of Sheriffs' Training[Update on Legal FAQ Documents ( 700-1022 )

Audit risk alert no 22 annual review and update of lagag updated 10 13 21  
1

Links:

1. [https://cms.la.gov/assets/lagag/audit-risk-alert-no.-22-annual-review-and-update-of-lagag\\_updated-10-13-21.pdf](https://cms.la.gov/assets/lagag/audit-risk-alert-no.-22-annual-review-and-update-of-lagag_updated-10-13-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 23 - Common Audit Report Deficiencies| Submitting Large Report Files to LLA ( 700-1023 )

Audit risk alert no 23 audit deficiencies found in report review submitting large report files to lla  
updated 10 14 21

1

#### **Links:**

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-23-audit-deficiencies-found-in-report-review-submitting-large-report-files-to-lla\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-23-audit-deficiencies-found-in-report-review-submitting-large-report-files-to-lla_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 24 - Deadline to Submit June 30 2019 Reports to LLA ( 700-1024 )

Audit risk alert no 24 deadline to submit june 30 2019 reports to lla updated 10 14 21

1

Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-24-deadline-to-submit-june-30-2019-reports-to-lla\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-24-deadline-to-submit-june-30-2019-reports-to-lla_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 25 - Requirement for Approved CPA Firms to Notify the Louisiana Legislative Auditor of Disciplinary Actions Taken by a State Board of Accountancy or Other Regulatory Body ( 700-1025 )

Audit risk alert no 25 cpas required to notify LLA of disciplinary actions taken by regulatory body  
updated 10 14 21

1

### Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-25-cpas-required-to-notify-LLA-of-disciplinary-actions-taken-by-regulatory-body\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-25-cpas-required-to-notify-LLA-of-disciplinary-actions-taken-by-regulatory-body_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 26 - Statewide Agreed-Upon Procedures Update ( 700-1026 )

Audit risk alert no 26 statewide agreed upon procedures update updated 10 14 21  
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Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-26-statewide-agreed-upon-procedures-update\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-26-statewide-agreed-upon-procedures-update_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 27 - Office of Community Development Handbook ( 700-1027 )

Audit risk alert no 27 office of community development handbook updated october 14 2021

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#### Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-27-office-of-community-development-handbook\\_updated-october-14-2021.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-27-office-of-community-development-handbook_updated-october-14-2021.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 28 - Statewide AUPs] COVID-19 Resources ( 700-1028 )

Audit risk alert no 28 statewide aups covid 19 resources updated 10 14 21

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- Links:
1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-28-statewide-aups-covid-19-resources\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-28-statewide-aups-covid-19-resources_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 29 - Requesting Approval for An Audit Engagement Without a Statewide Agreed-Upon Procedures Report ( 700-1029 )

Audit risk alert no 29 requesting approval audit eng w o aup updated 10 14 21

1

#### Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-29-requesting-approval-audit-eng-w-o-aup\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-29-requesting-approval-audit-eng-w-o-aup_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 30 - School Board Performance Measures - 2020 ( 700-1030 )

Audit risk alert no 30 school board performance measures 2021 updated 10 14 22  
1

#### Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-30-school-board-performance-measures-2020\\_updated-10-14-21\\_2022-10-14-165828\\_jkls.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-30-school-board-performance-measures-2020_updated-10-14-21_2022-10-14-165828_jkls.pdf)

*NB: This document is the current version as of 10-14-2022.*

**LOUISIANA GOVERNMENTAL AUDIT GUIDE**

Audit Risk Alert No. 31 - 2020 LAGAG Update]Certification of Sheriffs' Training]Updated Legal FAQ Documents ( 700-1031 )

Audit risk alert no 31 annual review and update of lagag updated 10 14 21

1

- Links:**
1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-31-annual-review-and-update-of-lagag\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-31-annual-review-and-update-of-lagag_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 32 - Peer Review Authorization Form]Deadline to Submit June 30 2020 Reports to the Legislative Auditor ( 700-1032 )

Audit Risk Alert No. 32 Peer Review Authorization Form Deadline for 6/30/20 Reports (Updated 10/14/21)

1

### Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-32-peer-review-authorization-form-deadline-for-6-30-20-reports\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-32-peer-review-authorization-form-deadline-for-6-30-20-reports_updated-10-14-21.pdf)

*NB: This document is the current version as of 01-11-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 33 - 2020 Compliance Supplement Addendum ( 700-1033 )

Audit risk alert no 33 2020 compliance supplement addendum updated 10 14 21  
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#### Links:

1. [https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-33-2020-compliance-supplement-addendum\\_updated-10-14-21.pdf](https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-33-2020-compliance-supplement-addendum_updated-10-14-21.pdf)

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 34 - Justice System Funding Reporting Schedules ( 700-1034 )

Audit risk alert no 34 justice system funding reporting schedules

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Links:

1. <https://cms.la.la.gov/assets/lagag/audit-risk-alert-no.-34-justice-system-funding-reporting-schedules.pdf>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 35 - Justice System Funding Reporting Schedules] Instructions] and FAQ Document ( 700-1035 )

Audit risk alert no 35 justice system funding reporting schedules instructions FAQs

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Links:

1. <https://cms.la.la.gov/assets/lagag/audit-risk-alert-no.-35-justice-system-funding-reporting-schedules-instructions-FAQs.pdf>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 36 - COVID-19 Guidance Available on LLA Website ( 700-1036 )

Audit risk alert no 36 covid 19 guidance available on lla website

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#### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-36-covid-19-guidance-available-on-lla-website.pdf>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 37 - Reinstatement Date for Statewide AUP Engagements ] SSAE No. 19 ( 700-1037 )

Audit risk alert no 37 statewide agreed upon procedures ssae no 19 docx  
1

Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-37-statewide-agreed-upon-procedures-ssae-no.-19.docx.pdf>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 38 - Submitting Audit Reports with Single Audits to LLA ( 700-1038 )

Audit risk alert no 38 submitting audit reports with single audits to lla

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- Links:
1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-38-submitting-audit-reports-with-single-audits-to-lla.pdf>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 39 - Database Security Breach Notification Law - CPA Firms' Notification Responsibilities, Timely Notification of Events to LLA ( 700-1039 )

Audit risk alert no 39 db security breach notification law cpa responsibilities for notification timely notification

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#### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-39-db-security-breach-notification-law-cpa-responsibilities-for-notification-timely-notification.pdf>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 40 - Reporting Federal Equitable Sharing Program Funds on the SEFA ( 700-1040 )

Audit risk alert no 40 reporting federal equitable sharing program funds on the sefa

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#### Links:

1. <https://cms.la.gov/assets/lagag/audit-risk-alert-no.-40-reporting-federal-equitable-sharing-program-funds-on-the-sefa.pdf>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 41 - 2021 LAGAG Update] SSAE No. 19] School Board Performance Measures] Pre-issuance Reviews] Fiscal Administration ( 700-1041 )

Audit risk alert no 41 2021 LAGAG update and other matters

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### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-41-2021-LAGAG-update-and-other-matters.pdf>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 42 - New Statewide Agreed Upon Procedures - FYEs 12/31/21 through 11/30/22 ( 700-1042 )

Audit risk alert no 42 new statewide agreed upon procedures

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### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-42-new-statewide-agreed-upon-procedures.pdf>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 43 - Submitting Audit Reports/Single Audit Reports When Federal Guidance is Delayed, Changes in Reporting School Activity Funds ( 700-1043 )

Audit risk alert no 43 delayed federal guidance reporting school activity funds

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### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-43-delayed-federal-guidance-reporting-school-activity-funds.pdf>

*NB: This document is the current version as of 08-23-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 44 - Submitting Statewide Agreed-Upon Procedures Engagements for Approval - Implementation of SAS 134 - 140 ( 700-1044 )

Audit risk alert no 44 submitting saup eng for approval implementation of sas 134 140

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### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-44-submitting-saup-eng-for-approval-implementation-of-sas-134-140.pdf>

*NB: This document is the current version as of 08-23-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 45 - Change in Criteria for Non-Emergency Extension Requests ( 700-1045 )

Audit risk alert no 45 change in criteria for non emergency extension requests

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Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-45-change-in-criteria-for-non-emergency-extension-requests.pdf>

*NB: This document is the current version as of 08-23-2022.*

**LOUISIANA GOVERNMENTAL AUDIT GUIDE**

Audit Risk Alert No. 46 - Change in SA and SAUP Reporting Requirements for CSLFRF Recipients  
( 700-1046 )

Audit Risk Alert No 46 Change in SA and SAUP Requirement for CSLFRF Recipients Table  
1

- Links:**
1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-46-change-in-sa-and-saup-requirement-for-cslfrfrecipients-table.pdf>

*NB: This document is the current version as of 11-15-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 47 - Repeal of Act 774 Revised Peer Review Authorization Form ( 700-1047 )

Audit Risk Alert No. 47 - Repeal of Act 774, Revised Peer Review Authorization Form.pdf

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Links:

1. <https://cms.la.la.gov/assets/lagag/audit-risk-alert-no.-47-repeal-of-act-774-revised-peer-review-auth-form.pdf>

*NB: This document is the current version as of 08-29-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 48 - Cooperative Endeavor Agreements that May Constitute the Incurrence of Debt Requiring Approval by the State Bond Commission ( 700-1048 )

Audit Risk Alert No, 48 - Cooperative Endeavor Agreements that May Constitute the Incurrence of Debt Requiring Approval of the State Bond Commission

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### Links:

1. <https://cms.la.la.gov/assets/lagag/audit-risk-alert-no.-48-CEAs-that-May-Constitute-the-Incurrence-of-Debt-Requiring-Approval-by-the-SBC.pdf>

*NB: This document is the current version as of 09-07-2022.*

LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 49 - New Statewide Agreed -Upon Procedures for 12/31/22 through 11/30/23 ( 700-1049 )

Audit risk alert no. 49 New SAUPs for 12/31/22 through 11/30/23

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Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-49-New-SAUPs-for-12-31-22.pdf>

*NB: This document is the current version as of 12-07-2022.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

### Audit Risk Alert No. 50 - Required Reporting Regarding the Results of Performing Statewide Agreed-Upon Procedures Beginning for Reports Submitted on or After March 1, 2023 ( 700-1050 )

Audit risk alert no 50 reporting for SAUP results beginning 3 1 23

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#### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-50-reporting-for-SAUP-results-beginning-3-1-23.pdf>

*NB: This document is the current version as of 03-27-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 51 - Community Drinking Water Infrastructure Sustainability Act – Act 98 of the 2021 Regular Legislative Session ( 700-1051 )

Audit risk alert no 51 Community Drinking Water Infrastructure Sustainability Act – Act 98 of the 2021 Regular Legislative Session

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### Links:

1. <https://cms.la.la.gov/assets/lagag/audit-risk-alert-no.-51-Community-Drinking-Water-Infrastructure-Sustainability-Act.pdf>

*NB: This document is the current version as of 03-20-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 52 - Schedule of Collections, Distributions, and Costs of Collection required in audit reports of single sales and use tax collectors beginning with fiscal years ending on or after December 31, 2023 ( 700-1052 )

Audit risk alert no 52 - Schedule of Collections, Distributions, and Costs of Collection required in audit reports of single sales and use tax collectors beginning with fiscal years ending on or after December 31, 2023

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### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-52-Schedule-of-Collections-Distributions-and-Costs-of-Collection-required-in-audit-reports-of-single-sales-and-use-tax-collectors.pdf>

*NB: This document is the current version as of 04-21-2023.*

## LOUISIANA GOVERNMENTAL AUDIT GUIDE

Audit Risk Alert No. 53 - Calculation of “Revenues and Other Sources” for Determining the Type of Report Local Auditees are Required to Provide to the LLA ( 700-1053 )

Audit risk alert no 53 - Calculation of Revenues and Other Sources for Determining the Type of Report Local Auditees are Required to Provide to the LLA

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### Links:

1. <https://cms.lla.la.gov/assets/lagag/audit-risk-alert-no.-53-Calculation-of-%E2%80%9CRevenues-and-Other-Sources%E2%80%9D-for-Determining-the-Type-of-Report-Local-Auditees-are-Required-to-Provide-to-the-LLA.docx>

*NB: This document is the current version as of 07-28-2023.*