***Statewide Agreed-Upon Procedures – Frequently Asked Questions***

The following frequently asked questions (FAQs) are based on questions received from local officials and practitioners and are updated annually. If applicable, the questions have been numbered to correspond with the Statewide Agreed-Upon Procedures (statewide AUPs) Instructions.

***General Comments***

* Is the Louisiana Legislative Auditor (LLA) considered to be a specified party to the statewide AUP engagements?
  + Yes, the LLA is a specified party to the statewide AUP engagements and accepts the sufficiency of AUP procedures by the acceptance of our standard (audit) engagement approval form.
* The statewide AUPs are to be performed in accordance with attestation standards (Statements on Standards for Attestation Engagements) established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. Please be more specific on exactly what standards apply to these statewide AUPs.
  + The statewide AUPs are to be performed in accordance with AT-C sections 215, *Agreed-Upon Procedures Engagements*, and 315, *Compliance Attestation*, and other applicable attestation standards and *Government Auditing Standards*.
* Are entitys with no exceptions in the prior year exempt from statewide AUPs?
* No, all statewide AUPs must be performed annually, regardless of whether exceptions were noted in the prior year.

***Reporting AUP Exeptions***

* If no exceptions were noted when performing a procedure, is “no exceptions noted” an acceptable response?
  + Yes, “no exceptions noted” is an acceptable response.
* Does the LLA want us to provide entity-specific detailed procedures performed in response to the general procedures?
  + No, but if a CPA wants to include their entity-specific procedures (e.g. exact name of report used to perform procedure or specific name of entity’s policy) in the AUP report, we will accept the report with those specific procedures, but providing those are not necessary.

***Applicability of AUPs***

* Do the statewide AUPs apply to state entities?
  + No, the statewide AUPs only apply to local governments and quasi-public entities, including not-for-profits. The LLA currently has 4 different types of agreed-upon procedures engagements, as follows:
    - State entity (not “statewide”) AUPs are required for certain engagements for entities that are included in the state’s Annual Comprehensive Financial Report. These engagements are contracted directly by our Financial Audit Services group and do not apply to local governments or quasi-public entities.
    - Statewide AUPs are required for local governments and quasi-public entities that receive public funds of $500,000 or greater.
    - Review/Attest engagements include AUPs for local governments and quasi-public entities that receive public funds between $200,000 and $500,000.
    - Department of Education Performance Measures AUPs are required for school boards and charter schools.

More than one set of AUPs may be required, depending on whether each criteria above has been met. For example, a parish school board with public funds of $500,000 or greater would be subject to both the statewide AUPs and the Department of Education Performance Measures AUPs.

***AUP Exemption – Single Audit***

* The LLA notes that “the entity may exclude those AUP categories that are covered under federal program testing, regardless of whether the federal program testing includes the same procedures or sample sizes.” If a practitioner has a client with only 30% of its public funds subject to major program testing, does the practitioner still have to test the related AUP categories for the remaining 70% of its public funds?
  + Yes. Our intention was to reduce redundant Single Audit testing and provide efficiencies for the practitioner; however, we did not intend to completely eliminate testing for those categories that include local, state, or non-major federal funds. We recommend selecting sample sizes for the applicable categories from the overall population of all transactions and then removing those sample items that fall within Single Audit testing. Alternatively, the practitioner could apply a pro-rata ratio (70% in the example above) to the AUP sample sizes to accomplish the same goal.

***AUP Applicability – Not-for-Profit included as part of entity’s audit***

* What is LLA's stance on not-for-profit entities that are consolidated within governmental entities when it comes to the restrictions imposed on governmental entities? Accounting guidance regularly requires foundations to be consolidated into a hospital's financial statements: would those entities be subject to the statewide AUPs?
* Yes, if the foundations in the above example are totally consolidated, then they are part of the hospital and all of their funds are considered public funds. Therefore, the statewide AUPs would be applicable to the not-for-profit foundations.

***4) Collections - General***

* Do the Collections procedures apply to electronic receipts, such as EFTs?
  + No. Collections procedures are limited to cash, checks, and money orders.
* If an entity has a third-party contractor performing all collection functions (receiving collections, preparing deposits, and making deposits), is the practitioner required to perform the related Collections procedures?
  + No, the related procedures would not be required to be tested at those entities that utilize third-party contractors to perform all collection functions.

***5) Non-Payroll Disbursements***

* Under the Credit Cards category, the LLA notes that “requiring such approval may constrain the legal authority of certain public officials; these instances should not be reported.” Does the same approval exclusion apply to the Disbursements category as well?
  + Yes, this provision would apply to disbursements as well. We would not expect an elected mayor to need board approval for routine transactions, nor would we expect an elected police chief to need an elected mayor's approval for routine transactions. Any procedure that would infringe on an elected official's responsibilities is not considered to be an exception under the statewide AUPs.
* My entity’s current policy designates 3 elected officials as check signers, and two signatures are required on each check. Does that mean that these check signers have to logon onto our online banking and release our EFT payment batches?
  + Yes, since procedure #5D asks the practitioner to observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g. sign checks) per the entity’s policy, and (b) approved by the required number of authorized signers per the entity’s policy.

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

* How should procedure #6C be addressed if one or more card statements selected in procedure #6B are for fuel cards?
  + Selection of a fuel card under procedure #6B would reduce the total number of transactions tested under procedure #6C. For example, if 3 credit cards and 2 fuel cards were selected under #6B, only those 30 transactions related to the credit cards would be tested under #6C. Conceivably, if all selected cards were fuel cards, step #6C would not be applicable. However, because the selection of cards under procedure #6B is based on random selection, the practitioner should not judgmentally select fuel cards to avoid testing under procedure #6C.
* One of our clients utilizes SmartData for their credit cards through their bank, which requires a transaction-level review of charges. Would this constitute “evidence that the monthly statement or combined statement and supporting documentation…was reviewed and approved, in writing…”?
  + Yes, if the practitioner has evidence that all transactions are being reviewed and approved, this would not be an exception. The practitioner could either explain the process in the AUP procedure results or could customize the AUP procedure to fit the actual review/approval process.
* To address credit card transaction documentation that did not include an itemized receipt, one client required its employees to complete a “Missing Receipt Statement” (one example was due to a parking garage receipt machine that was out of paper). The Statement requires a description of the issue and items purchased and requires both the card holder’s and supervisor’s written approval. How should this be reported for purposes of AUP results?
  + If this were an isolated occurrence, the practitioner could describe the nature of the transaction and note that management had a compensating control to address such isolated occurrences. If this were not an isolated occurrence, then the practitioner should evaluate if an exception exists.
* If school staff use credit cards for student activity funds, are these cards subject to the statewide AUPs?
  + Yes, all credit/credit/fuel cards used by school staff for either school operations or student activity fund operations are subject to the statewide AUPs.

***11) Debt Service***

* For procedure #11B, which states, in part, “obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants,” do “reserve balances” include contingency funds, short-lived asset funds, or other funds identified in the debt covenants?
* Yes, the term “reserve balances” includes all required funds identified in the debt covenants.

***14) Prevention of Sexual Harassment***

* Is a private not-for-profit that is considered quasi-public for audit purposes solely due to the receipt of public funds required to comply with the annual prevention of sexual harassment training and prevention of sexual harassment policy requirements under R.S. 42:341, *et seq*.?
  + It depends: a private not-for-profit subject to audit by virtue of the receipt of public funds does not appear to be subject to the prevention of sexual harassment law, R.S. 42:341, *et seq*. However, the not-for-profit should review their agreements to receive public funds to determine if there is a requirement for the not-for-profit to comply with R.S. 42:341, *et seq*.
* In regards to the annual reports that must be filed by the entities, where should local governments and quasi-public entities file their annual sexual harassment reports?
  + The requirement to file the annual report with the Division of Administration applies only to state entities. Currently, local government entities are required to report this information in the annual report and, as a public record, make the report available to the public and retain the report in accordance with their record retention schedule.