

STATEWIDE AGREED-UPON PROCEDURES

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

LOCAL GOVERNMENT SERVICES

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INSTRUCTIONS

Introduction

The Louisiana Legislative Auditor (LLA) has prescribed statewide agreed-upon procedures (AUPs) below, which are intended to represent a minimum level of additional work to be performed at those local entities (local governments and quasi-public organizations, including not-for-profit organizations) that meet the legal requirement to have an audit under the Audit Law¹ (i.e., public funds totaling \$500,000 or more in revenues and other sources). **This update to the AUPs will be effective for those entities that have fiscal years ending December 31, 2022 through November 30, 2023 (Year 5).**

The AUPs are not intended to address all areas of risk within an entity. Instead, they are designed to address those areas that have resulted in the most frequent incidents of fraud, waste, or abuse of public funds.

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

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

What's New?

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

¹ R.S. 24:511-24:559

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

Applicable Auditing Standards

The AUPs are to be performed in accordance with attestation standards (Statements on Standards for Attestation Engagements; SSAEs) established by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards*, and the AUP report must be attached with the audit report that is submitted to the Legislative Auditor's office (i.e., one pdf file submitted to the LLA rather than two). The AUPs are required to be performed by the same firm that performs the annual audit; accordingly, a separate "engagement approval form" for the statewide AUP engagement is **not required**. The LLA is considered to be a specified party to the AUP engagements and acknowledges that the procedures performed are appropriate for our purposes by our acceptance of the standard audit engagement approval forms.

Reporting AUP Findings

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

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

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

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

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

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

Knowledge of Matters Outside Agreed-Upon Procedures

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

If the practitioner has gained "knowledge of matters outside agreed-upon procedures" related to fraud, theft, or the pledge/loan/donation of public funds (LA Const. Art. 7, Section 14²), and the practitioner does not include these matters in either the AUP report or in the audit report, the practitioner **MUST** contact the LLA to discuss before submitting the reports.

² Article 7, Section 14 of the Louisiana Constitution prohibits the loan, pledge, or donation of funds, credit, property, or things of value (e.g. cash advances or non-business purchases, regardless of whether they were reimbursed).

Applicability of AUPs – Local Governments and Quasi-Public Entities

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

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

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

Applicability of AUPs - Component Units

The scope of the AUPs applies to the primary reporting entity and is not required to be extended to discretely presented component units of the entity. However, entities that are discrete component units of a primary government and separately report to

the LLA are individually subject to the AUPs. Discrete component units that separately report to the LLA but have portions of their operations performed by the primary government (payroll processing, for example) are exempt from those portions of the AUPs relating to the operations performed by the primary government: instead, AUPs performed at the primary government should address those areas.

Applicability of AUPs –Not-for-Profit Entities

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

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

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

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

AUP Exemption – Single Audit

If either a governmental, quasi-public entity or not-for-profit entity (collectively known as “local auditee”) has met the \$500,000 Audit Law threshold, and all or part of the entity’s public funds are federal major program funds (either direct or pass-through) tested under the entity’s Single Audit during the fiscal period, the entity may exclude those AUP categories that are covered under federal program testing,

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

AUP Exemption – School or Student Activity Funds

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

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

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

Other Entities Exempt from the AUPs

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

Private and parochial schools, as well as university foundations, facility corporations, and booster associations, are specifically excluded by law from having to provide audit reports to the LLA and are exempt from the AUPs. Real estate for-profit limited

partnership entities are exempt from the AUPs based on the nature of their operations.

Statewide AUPs Compared with Other Required AUP Types

Please note that the statewide AUPs included in this document apply only to local governments and quasi-public entities that meet the requirement to have an audit under the Audit Law. The LLA also has 3 other types of agreed-upon procedures engagements that should not be confused with the statewide AUPs, as follows:

- State entity (not “statewide”) agreed-upon procedures are required for certain engagements for entities that are included in the state’s Annual Comprehensive Financial Report. These engagements are contracted directly by the LLA’s Financial Audit Services group and do not apply to local governments or quasi-public entities.
- Review/Attest engagements include agreed-upon procedures for local governments and quasi-public entities that differ from the statewide AUPs and apply only to those entities that receive public funds of at least \$200,000 but not more than \$499,999.
- Department of Education Performance Measures AUPs are required for school boards and charter schools.

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

Options and Alternatives

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

To avoid creating an undue burden on practitioners, the AUPs may be performed for a 12-month “fiscal period” that does not coincide with the entity’s fiscal year, as long as the 12-month fiscal period is no more than 3 months prior to the end of the entity’s fiscal year. For example, the practitioner may perform AUPs for the fiscal period April 1, 2022 through March 31, 2023 for an entity with a fiscal year ending June 30, 2023. All AUPs will reference “fiscal period” to mean the 12-months covered by the

AUPs. If the entity elects to change its “fiscal period,” the subsequent year of AUP testing must not leave a gap between fiscal periods. For example, a change from a March 31 fiscal period end to a June 30 fiscal period end would require a 15-month AUP engagement in the year of change.

Using the Work of Internal Auditors or Other Practitioners

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

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

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

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

It is inappropriate for the practitioner to do the following:

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

The practitioner must include a copy (or copies if the internal auditor has multiple reports that address AUP procedures) of the internal auditor’s procedures performed and findings observed when submitting the audit report and AUP report to the LLA. In this situation, all three reports should be submitted to the LLA as one pdf file, and all three reports will be issued by the LLA as a public document. If the practitioner

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

Special Consideration for School Boards

For school boards only, the practitioner should consider the deposit site and collection location to be the same if there is a central person (secretary or bookkeeper) through which collections are deposited. The practitioner is required to test documentation at the secretary/bookkeeper level only and is not required to test for completeness of revenues relative to classroom collections by teachers.³

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

PROCEDURES

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

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:⁴
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

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

- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics⁵**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

2) Board or Finance Committee⁶

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and

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

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

- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds⁷, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds⁸ if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.⁹

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts¹⁰ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

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

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

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

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

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

4) Collections (excluding electronic funds transfers)¹¹

- A. Obtain a listing of deposit sites¹² for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations¹³ and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

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

¹² A deposit site is a physical location where a deposit is prepared and reconciled.

¹³ A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit. For example, in a school district a collection location may be a classroom and a deposit site may be the school office. For school boards only, the practitioner should consider the deposit site and collection location to be the same if there is a central person (secretary or bookkeeper) through which collections are deposited.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.¹⁴
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt¹⁵ at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that

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

¹⁵ As required by Louisiana Revised Statute 39:1212.

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

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

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

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards¹⁶. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection)¹⁷. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

¹⁶ Including cards used by school staff for either school operations or student activity fund operations.

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

7) Travel and Travel-Related Expense Reimbursements¹⁸ (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law¹⁹ (e.g., solicited quotes or bids, advertised), if required by law;

¹⁸ Non-travel reimbursements are not required to be inspected under this category.

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

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials²⁰ employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials²¹ documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

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

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

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

10) Ethics²²

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

11) Debt Service²³

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

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

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

12) Fraud Notice²⁴

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

13) Information Technology Disaster Recovery/Business Continuity

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

²⁴ Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs and the notice is available for download at www.la.gov/hotline

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

14) Prevention of Sexual Harassment²⁵

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

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