



## *Louisiana Legislative Auditor* *Audit Risk Alert*

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AUDIT RISK ALERT # 18

DATE: August 21, 2019 (updated October 13, 2021)

SUBJECT: Louisiana Compliance and Attestation Questionnaires

This audit risk alert is a discussion of Louisiana Compliance and Attestation Questionnaires – what they are, how they are used, their limitations, and other important information.

**What they are:** The majority of audits submitted to the Louisiana Legislative Auditor (LLA) are performed in accordance with generally accepted government auditing standards or GAGAS. GAGAS requires the auditor to perform tests of the local government or quasi-public organization's (local auditee's) compliance with provisions of laws, regulations, contracts, and grant agreements; non-compliance with which would have a 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 Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with Government Auditing Standards* (the Yellow Book report).

In order to perform these tests, the auditor must first 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 confirming that they have complied with these laws, regulations, contracts and grant agreements during the period under audit.

Louisiana Compliance Questionnaires provide a list of Louisiana laws that are material to the financial statements of local auditees. Compliance questionnaires are available in the *Louisiana Governmental Audit Guide* or LAGAG that are specific to [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) must provide for annual reviewed financial statements; as well an agreed-upon procedures report prepared by the CPA firm that performed the review, that describes 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 that are specific to [local governments](#), [quasi-public organizations](#), and [charter schools](#) are also available in the LAGAG; as well as illustrative agreed-upon procedures reports for review/attestation engagements of [local governments](#), [quasi-public organizations](#), and [charter schools](#).

Additional information about Louisiana Compliance and Attestation Questionnaires is available in LAGAG modules [400-1170](#) (geared toward CPAs that perform local auditee engagements) and [500-1140](#) (geared toward local auditees).

**How they are used:** The local auditee prepares and signs the applicable 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 compliance/attestation questionnaire to LLA.

**Limitations:** The Louisiana Compliance Questionnaires do not represent the entire population of laws that the CPA must test during his or her audit engagement. It is impossible for LLA to determine the entire population of laws, regulations, contracts and grant agreements that apply to every local auditee. It is the CPA's responsibility to have sufficient knowledge of their client to determine if they have identified all material laws, regulations, etc.; and to report any material instances of noncompliance with these laws.

A review/attestation engagement is much more limited in scope than an audit engagement; however, a governmental review/attestation engagement must also be performed in accordance with *Government Auditing Standards*. The CPA should consider the requirements of *Government Auditing Standards*, Chapter 7 when performing a local auditee review/attestation engagement. If the CPA becomes aware of other instances of noncompliance during a review/attestation engagement, particularly those 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.

**Other important information:**

- The LAGAG **requires** the CPA to obtain the prepared and signed compliance or attestation questionnaire from the auditee, and to test management's representations. In several of its recent quality control reviews of CPA firm audit engagements, LLA found that the applicable compliance questionnaire was missing or management's representations were not tested. Please make sure that you and your firm's staff are complying with these provisions of the LAGAG.
- As discussed earlier, the compliance questionnaires are not "safe harbors" – in other words, they do not represent the entire population of laws that the CPA must test during his or her audit engagement. For a discussion of how to determine the legal and regulatory framework under which a local auditee is required to operate, see the LAGAG module [Laws and Regulations](#).

- The Louisiana Compliance and Attestation Questionnaires are not substitutes for the management representation letter. Management’s representations in the audit and attestation questionnaires are specific to the laws that a CPA must test while performing governmental audit and review/attestation engagements in the state of Louisiana. They do not extend to all the representations a CPA needs from management to perform an audit or review/attestation engagement.
- Similarly, the management representation letter is not a substitute for the Louisiana Compliance or Attestation Questionnaire, unless the CPA incorporates the representations in the questionnaire into the management letter.
- It is not necessary to send the prepared and signed Louisiana Compliance Questionnaire to LLA.
- CPAs do not use a compliance questionnaire in a compilation engagement because tests of compliance are not required to be performed in a compilation.

The cover letters to each of the compliance and attestation questionnaires in the *Louisiana Governmental Audit Guide* were recently updated to clarify the requirement that the questionnaire be signed by appropriate agency personnel and adopted by the governing board, if applicable. In addition, this change was recently made:

Audit Module Number	Audit Module Name	Change
<a href="#">600-1090</a>	Louisiana Audit Compliance Questionnaire – Government	Updated procedure # 33 for 2018 change in school board performance measures

If you have any questions about this audit risk alert, please contact Diane Allison at [dallison@lla.la.gov](mailto:dallison@lla.la.gov) or (225) 339-3812, or Sandra Whitehead at [swhitehead@lla.la.gov](mailto:swhitehead@lla.la.gov) or (225) 339-3811.