



Louisiana Legislative Auditor Audit Risk Alert

*Baton Rouge Office
Phone No. (225) 339-3800
Fax No. (225) 339-3870*

AUDIT RISK ALERT # 19

DATE: September 25, 2019 (updated October 13, 2021)

SUBJECT: New Local Auditee Engagement Approval Process; Legal FAQ Documents

The Louisiana Legislative Auditor (LLA) recently implemented a new local government and quasi-public organization (local auditee) engagement approval process through its [Local Government Reporting System](#) (LGRS) portal. LLA sent information about this new process to all CPAs on its approved list on May 23, 2019. Related modules of the *Louisiana Governmental Audit Guide* have been updated.

LLA is issuing this audit risk alert to address several matters pertaining to the new engagement approval process; specifically:

- Information that must be submitted with the Engagement Approval Request form
- Why does LLA collect engagement cost information?
- Obtaining LLA approval prior to beginning work on an engagement.

This audit risk alert also addresses a housekeeping matter pertaining to the Legal Frequently Asked Questions documents on LLA's website.

Information that must be submitted with the Engagement Approval Request Form

The new engagement approval process requires CPAs to attach a PDF copy of the signed engagement agreement to the related Engagement Approval Request form in the LGRS portal. Although LLA staff does not usually perform an in-depth review of engagement agreements, LLA may reject any engagement submitted for approval if it finds the attached engagement agreement does not include all of the elements required by the *Louisiana Governmental Audit Guide* (LAGAG) module [400-1080](#), *Engagement Agreements – Louisiana Legislative Auditor Requirements*.

One of the elements required to be included in the engagement agreement is the anticipated or not-to-exceed cost of the engagement. This ensures that the local auditee knows the estimated cost of the engagement prior to signing the agreement. LAGAG Module [400-1080](#) provides recommended language that allows for 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.

The principal reason LLA has rejected engagements since implementation of the new approval process is that the cost of the engagement was not included in the engagement agreement attached to the Engagement Approval Request form. In order to expedite engagement processing and avoid rejections when submitting engagements for approval, we ask CPAs to make sure all required information, including the cost of the engagement, is included in the signed engagement agreement attached to the Engagement Approval Request form.

We also recommend that CPA firms compare their local auditee engagement agreement template to LAGAG module [400-1080](#) to ensure that all other elements required by the LAGAG have been incorporated into the firm's template.

[Statewide agreed-upon procedures engagements](#) are also approved through the LGRS portal; on the same Engagement Approval Request form as the related audit engagement(s). CPAs are allowed to request approval for up to four fiscal years' engagements for the same auditee on one Engagement Approval Request form. However, 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 statewide 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 agreed-upon procedures engagement for the one fiscal year for which **both** engagement agreements have been provided.

Why Does LLA Collect Engagement Cost Information?

From time to time a CPA asks LLA why it collects engagement cost information, and what it does with the information.

LLA collects engagement cost information to use for its own internal purposes. LLA also provides engagement cost information to interested parties through a [lookup menu](#) on the LLA website.

Users of the engagement cost information include CPAs who are bidding on local auditee engagements; local auditees who are trying to determine whether their audit fees are reasonable, and citizens who monitor the expenditure of public funds.

LLA believes that providing this information to interested parties fulfills the objectives set forth in its mission statement of fostering accountability and transparency in Louisiana government by providing useful information to the public. LLA wishes to thank the CPA firms on its approved list for their continued cooperation in providing engagement cost information to LLA.

Obtaining LLA Approval Prior to Beginning Work on an Engagement

Louisiana Revised Statute 24:513 (the audit law) gives LLA the authority to approve local auditee engagements **prior to commencement**.

LLA is aware that some CPA firms begin fieldwork on their engagements after the Engagement Approval Request form has been submitted, but before LLA has approved it. Some firms may even begin work on the engagement of a long-standing client before the Engagement Approval Request form has been submitted to LLA; on the assumption that the engagement will be approved.

Although LLA approves most local auditee engagements that are submitted, approval of an engagement cannot be assumed to be automatic. LLA may receive an allegation that a CPA firm is not independent; or notification that the firm has failed its peer review. Or, LLA may have questions about the content of a prior year report. These are examples of conditions that could cause approval of an engagement to be delayed; and depending upon the resolution, possibly denied.

Beginning an engagement prior to LLA's approval is, technically, a violation of the audit law. It also can prove to be costly to the CPA firm that is not paid for work performed on an engagement that LLA does not subsequently approve.

We strongly recommend that CPA firms add a step to their engagement administration process that requires confirming LLA's approval of an engagement prior to its commencement.

We also recommend that CPA firms [call Local Government Services staff](#) if an engagement is not approved by 7 business days after submission. Approval of an engagement during periods of normal volume should not take longer than 7 business days; except when there is an unresolved matter concerning the engagement.

Legal Frequently Asked Questions Documents and Links to Louisiana Attorney General Opinions

The Frequently Asked Questions (FAQs) documents on the Legal page of LLA's website include links to relevant Louisiana Attorney General (AG) Opinions. These links have recently been disconnected due to changes to the AG's website. LLA Legal staff are working to re-connect these links over the next couple of months. Although the AG Opinion references in the FAQs are still correct, users of the FAQs will need to search the full text of the opinions on the AG's website at <https://www.ag.state.la.us/Opinions>. (This was subsequently corrected; see [Audit Risk Alert No. 22](#)).

If you have any questions or require assistance pertaining to LLA's Legal FAQ's, you may contact LLA's Legal department at 225-339-3871.

If you have any other questions about this audit risk alert, please contact Diane Allison at dallison@lla.la.gov or (225) 339-3812, or Gayle Fransen at gfransen@lla.la.gov or (225) 339-3874.