



Louisiana Legislative Auditor *Audit Risk Alert*

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AUDIT RISK ALERT # 23

DATE: December 9, 2019 (updated October 14, 2021)

SUBJECT: Common Audit Report Deficiencies; Submitting Large Report Files to the Louisiana Legislative Auditor

Each report a CPA firm submits to the Louisiana Legislative Auditor (LLA) undergoes a desk review by LLA staff. The desk (or **expedited**) report review is performed at a very high level; and its purpose is to determine the limited sufficiency of a report before it is issued as a public document on LLA's website.

Approximately once a year, LLA selects at least one report from each CPA firm on its approved list to undergo a more thorough (or **non-expedited**) report review, using a checklist developed by LLA. Although the non-expedited report review is also performed at a relatively high level, it gives LLA the ability to identify certain deficiencies in these reports.

The purpose of this audit risk alert is to advise approved CPA firms of the common audit report deficiencies found in LLA's most recent non-expedited report review. Please review your firm's quality control checklists and other materials to ensure that they include consideration of these deficiencies.

This audit risk alert also addresses the problems that often occur when CPAs submit large sized electronic report files to LLA through the web portal.

COMMON AUDIT REPORT DEFICIENCIES:

Auditor's opinion, Yellow Book report and Single Audit report:

- Heading does not include the phrase "independent auditor's report"
- Incorrect agency name and/or fiscal year referenced in the report
- First paragraph of auditor's opinion does not include the notes to the financial statements as one of the components of the audited financial statements
- Auditor's opinion includes an in-relation-to opinion on the schedule of expenditures of federal awards (SEFA) when there is no SEFA in the report

NOTE: LLA recommends that practitioners periodically compare the report templates their firm uses with the illustrative auditor's opinion, Yellow Book and Single Audit reports available on the [AICPA's website](#).

Financial Statements and Notes to the Financial Statements:

- Footing errors
- Incorrect agency name and/or fiscal year used in headings and note disclosures
- Net pension assets related to one pension system was offset against the net pension liabilities of another pension system; and was reported as one amount on the agency's financial statements. According to the GASB Implementation Guide, Question 5.164.2:

"Liabilities for net pension liabilities associated with different plans may be aggregated for display, and assets for net pension assets associated with different plans may be aggregated for display. However, aggregated pension assets and aggregated pension liabilities should be separately displayed."
- Amounts reported in one financial statement do not agree with the same amounts reported in another financial statement; e.g.,
 - Ending net position does not agree between the statement of net position and the statement of activities
 - Ending fund balance does not agree between the balance sheet and the statement of revenues, expenditures, and changes in fund balance
 - Ending fund balance/net position does not agree between the balance sheet /statement of net position and the reconciliation of the two statements
 - Net change in fund balance/change in net position does not agree between the statement of revenues, expenditures and changes in fund balance/statement of activities and the reconciliation of the two statements
 - Operating revenue and the ending cash balance do not agree between the cash flow statement and the proprietary fund statement of net position
- Balances reported in the financial statements do not agree with the balances reported in the notes to the financial statements for these accounts:
 - Cash and cash equivalents per the agency's books (although government agencies are not required to disclose book cash balances in the notes to the financial statements, if they choose to do so, these balances should agree with the financial statements)
 - Investments
 - Due to/due from balances
 - Current/noncurrent portions of long term liabilities
 - Net pension liability and related deferred outflows and inflows
 - OPEB liability and related deferred outflows and inflows

- Note disclosures required by GASB 24, paragraph 12 were not included in the reports of local government agencies whose employees receive on-behalf payments for salaries and benefits (district attorneys, sheriffs, municipalities with police departments, etc.)

Statewide agreed-upon procedures report:

- Statewide agreed-upon procedures report is missing from the audit report of an agency that is required to provide for one
- Statewide agreed-upon procedures report is not in the form of procedures performed and exceptions noted
- Management's corrective action plan for exceptions noted; or a statement that management chose not to provide a corrective action plan, is not included in the report

Other State of Louisiana reporting requirements:

- Schedule of compensation, benefits, and other payments to the agency head is not included in the report
- Auditor's opinion does not include the in-relation-to opinion on the schedule of compensation, benefits, and other payments to the agency head
- Management's corrective action plan to eliminate significant deficits is not included in the report. For the definition of a significant deficit and the reporting requirements when one is identified, see [Louisiana Governmental Audit Guide module 300-1060](#).
- Cash on hand in the sheriff's ad valorem tax collector fund does not agree between the sheriff's affidavit and the financial statements/notes to the financial statements

LLA has advised the CPA firms in whose audit reports these deficiencies were found that they should be corrected prospectively.

The above list of common audit report deficiencies is for informational purposes only. The reviews of CPA reports performed by the Louisiana Legislative Auditor cannot be considered part of a CPA firm's system of quality control.

Please review the AICPA's quality control standards and the quality control standards found in *Government Auditing Standards* to determine whether your firm's system of quality control provides reasonable assurance that your firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and the reports issued by your firm are appropriate in the circumstances.

SUBMITTING LARGE REPORT FILES TO THE LOUISIANA LEGISLATIVE AUDITOR:

With the reports of local auditees with fiscal years ending June 30, 2019 due to LLA in a few weeks, it is a good time to address the problems that often occur when CPAs submit large sized electronic report files to LLA through the web portal.

Many of the local auditee reports LLA receives are inherently large, particularly the audits of school boards and other agencies that provide for annual comprehensive financial reports or ACFRs. And, many CPA firms use the highest resolution and color options when printing their report files to Adobe PDF in order to provide their clients with sharp, clear copies of their reports.

These factors create large sized electronic report files that may cause these problems when a CPA submits or attempts to submit them to LLA through the web portal:

- The CPA firm cannot submit the report file through the web portal
- If the CPA is able to submit the report file, LLA may be required to reduce the file size when processing the report so it can be opened after it is issued and placed on LLA's website

In order to avoid delays in the submission and processing of their reports, we ask that CPA firms:

1. Submit reports to LLA in files of 15 MB or less
2. Change the Adobe PDF settings on the files to black and white, and to a resolution of 300dpi or less, before saving the report file that is sent to LLA. These settings allow for a report of a relatively high resolution that can be opened after it has been placed on LLA's website.

If there are any questions or problems with submitting reports, please contact Local Government Services staff at ereports@lla.la.gov.

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 gfransern@lla.la.gov or (225) 339-3874