



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

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AUDIT RISK ALERT # 25

DATE: February 19, 2020 (updated October 14, 2021)

**SUBJECT:** Requirement for Approved CPA Firms to Notify the Louisiana Legislative Auditor of Disciplinary Actions Taken by a State Board of Accountancy or Other Regulatory Body

The audit law (Louisiana Revised Statute (R.S.) 24:513 A. (5) (a) (i)) gives the Louisiana Legislative Auditor (LLA) authority to approve CPA firms to perform the audit and other attest engagements of the local government agencies and quasi-public organizations (local auditees) that report to LLA; and requires these engagements to be performed in accordance with the *Louisiana Governmental Audit Guide* (LAGAG).

R.S. 24:513 A. (6) gives LLA the authority to prescribe the terms and conditions of local auditee engagements. LLA's oversight activities for these engagements include monitoring the quality of the work performed by approved CPA firms.

LAGAG module [400-1030](#) describes events that could cause LLA to take disciplinary actions against an approved CPA firm. One of these events is a regulatory body other than LLA taking disciplinary action against a firm. But until recently, the LAGAG did not require a CPA firm to notify LLA when disciplinary actions are taken against the firm by another regulatory body. Because of the confidentiality surrounding disciplinary actions taken by many regulatory bodies, LLA may not know that a relevant disciplinary action has been taken against a CPA firm if the firm chooses not to disclose it.

In order to enable LLA to better fulfill its oversight responsibilities in the audit law, LAGAG module [400-1030](#) has been updated to include the following:

CPA firms must notify LLA, on an ongoing basis and in a timely manner (as specified below), if the firm or its personnel is the subject of an investigation or disciplinary action by any state board of accountancy or other regulatory body (including but not limited to federal and state grantor agencies) due to noncompliance with the rules and regulations of the regulatory body. The firm must provide a copy of the notification letter it received from the regulatory body that describes the noncompliance and any disciplinary actions taken against the firm or its personnel by the regulatory body; and a statement describing how the firm has or is addressing and rectifying the matter of noncompliance, if applicable. The notification to LLA must occur no later than two weeks after receipt of the regulatory body's notification letter by the CPA firm.

And, LAGAG module [400-1030](#) has been updated to include the following as an event that could cause LLA to take disciplinary actions against a firm:

Failure of a CPA firm to timely notify LLA if the firm or its personnel is the subject of an investigation or disciplinary action by any state board of accountancy or other regulatory body (including but not limited to federal and state grantor agencies) due to noncompliance with the rules and regulations of the regulatory body.

This change in the LAGAG is effective immediately.

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 Gayle Fransen at [gfransen@lla.la.gov](mailto:gfransen@lla.la.gov) or (225) 339-3874.