

AUDIT RISK ALERT # 50

DATE: February 13, 2023

SUBJECT: Required Reporting Regarding the Results of Performing Statewide Agreed-Upon Procedures Beginning for Reports Submitted on or After March 1, 2023

Summary

CPAs submitting audit reports with statewide agreed-upon procedures (SAUPs) on or after March 1, 2023, are required to indicate whether any exceptions were found for each of the SAUPs performed, except the Information Technology Disaster Recovery/Business Continuity procedure, by responding Yes, No, or Not Applicable (N/A) for each procedure.

Required Reporting

Specifically, starting on March 1, 2023, when submitting an audit report through the [Local Government Reporting System](#) web-based portal, auditors will be required to answer *Yes, No, or Not Applicable* (N/A) to the question "Were any exceptions found?" regarding the results of performing the current SAUPs:

1. Written Policies and Procedures
2. Board or Finance Committee
3. Bank Reconciliations
4. Collections
5. Non-Payroll Disbursements
6. Credit, Debit, Fuel, and/or Purchase Cards
7. Travel and Travel-Related Expense Reimbursements
8. Contracts
9. Payroll and Personnel
10. Ethics
11. Debt Service
12. Fraud Notice
13. Information Technology (IT) Disaster Recovery/Business Continuity
14. Prevention of Sexual Harassment



- If no exceptions were found for the entire procedure, then the answer should be *No*. For example, if management represents that there were no misappropriations of public funds and assets during the fiscal period, and the auditor observed that the notice required by [R.S. 24:523.1](#) was posted on the local auditee's premises and website, then the answer for Procedure 12, Fraud Notice, should be *No*.
- If at least one exception was found as a result of performing the entire procedure, then the answer should be *Yes*. For example, if the only exception found as a result of performing Procedure 1, Written Policies and Procedures, is that the budgeting written policies and procedures did not address amending the budget, but did address all other subcategories, and all subcategories were addressed in each of the other 11 written policies and procedures, then the answer for Procedure 1 should be *Yes*.
- If the procedure was not performed because it is not applicable to the local auditee, then the answer should be *Not Applicable*. For example, if a local auditee did not issue any debt during the fiscal period and had no debt outstanding at the end of the fiscal period, then the answer for Procedure 11, Debt Service, should be *Not Applicable*.
- No response is required for Procedure 13, Information Technology Disaster Recovery/Business Continuity, to avoid the possible exposure of local auditee information technology vulnerabilities.

For submission of reports for fiscal years ending between January 31, 2020, and November 30, 2021, when the SAUPs were suspended, or for audit reports that are not also required to submit an SAUP report, the answer to all 14 procedures should be *Not Applicable*. SAUP reports are not required for local auditees who submit sworn financial statements or compilation or review/attestation reports (i.e., those local auditees who received less than \$500,000 in public funds during the fiscal period). Of course, any local auditee not *required* to undergo SAUPs may voluntarily choose to do so.

Background of SAUPs

[R.S. 24:513 \(A\) \(6\)](#) gives the Louisiana Legislative Auditor (LLA) authority to prescribe the terms and conditions of engagements of local auditees.

On February 13, 2017, the LLA began requiring that an SAUP report accompany all local governmental and quasi-public agency (local auditee) audit reports beginning with fiscal years ending on or after June 30, 2017, as detailed in [Section 300-1127](#) of the *Louisiana Governmental Audit Guide*. Specific procedures have been changed since that time as detailed in Audit Risk Alert numbers [10](#) (Year 2, for fiscal years ending on or after June 30,

2018), [16](#) (Year 3, for fiscal years ending on or after June 30, 2019), [42](#) (Year 4, for fiscal years ending December 31, 2021, through November 30, 2022), and [49](#) (Year 5, for fiscal years ending December 31, 2022, through November 30, 2023).

SAUPs were suspended for fiscal years ending January 31, 2020, through November 30, 2021, due to the financial challenges faced by local auditees during the global COVID-19 pandemic as announced in Audit Risk Alert numbers [26](#) and [37](#). In addition, [Audit Risk Alert No. 46](#) states that the LLA will not require a local auditee to provide for SAUPs for fiscal years in which the local auditee would be required to provide for a review/attestation report, if not for the receipt of Coronavirus State and Local Fiscal Revenue Funds (Assistance Listing number 21.027) as provided for in the American Rescue Plan Act (ARPA).

Purpose of Required Reporting

The LLA's mission is to foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information with the goal of advising on the ever-changing complexities of government compliance issues so that Louisiana state agencies and local auditees can focus on becoming more prepared, resilient, and productive.

The SAUPs are a type of engagement, in addition to an audit, that require the independent CPA to take a more careful look at areas that might not end up in the representative sample tested in an audit engagement. SAUPs 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.

Requiring auditors to indicate if any exceptions were found to each SAUP will provide the LLA with data to ascertain if the SAUPs are achieving the goal of correcting the internal control processes of local auditees in order to lessen their risks of fraud, waste, or abuse of public funds in the future.

If you have further questions about reporting the results of performing SAUPs, please contact Gayle Fransen at gfransen@lla.la.gov or (225) 339-3874.