LOUISIANA GOVERNMENTAL AUDIT GUIDE

Authorized by Louisiana Revised Statute 24:513

User Note

The Louisiana Governmental Audit Guide is produced jointly by the Legislative Auditor and the Society of Louisiana Certified Public Accountants, with input from the Louisiana Municipal Association, the Louisiana Police Jury Association, and the Louisiana School Board Association. Revisions are incorporated into the Guide as necessary. This guide has been updated through January 22, 2015.

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To: Governmental Officials, Accountants, and Auditors

In accordance with Louisiana Revised Statutes (R.S.) 24:513, this guide has been produced through a cooperative effort of the Louisiana Legislative Auditor and the Society of Louisiana Certified Public Accountants, with input from various state and local associations. The provisions of the guide apply to certified public accountants and governmental audit organizations performing engagements under the provisions of R.S. 24:513.

This guide, as originally issued and subsequently amended, reflects the general needs of the certified public accountant serving Louisiana state and local governments or their quasi-public agencies. The purpose of the guide is to provide an overview of the engagement process and to provide references from which the auditor may obtain detailed accounting and auditing guidance.

This guide includes the Louisiana Compliance Questionnaires and the Louisiana Attestation Questionnaires, Appendix A. These questionnaires are an integral part of this guide and are used as a basis of state compliance testing in all audits and attestation engagements performed under R.S. 24:513. The questionnaires are to be completed by senior management of the client and are to be given to the auditor as a basis of state compliance testing when required by state law.

The auditor's test of the compliance matters contained in the compliance questionnaires, the extent and nature to be based upon auditor judgment, are required by this guide and are minimum compliance requirements in audits and attestations within Louisiana government and related quasi-public agencies. These minimum state compliance items are considered a "safe harbor" for the auditor. However, the auditor should be aware of the provisions of professional standards, to include AU 250 (*Consideration of Laws and Regulations in an Audit of Financial Statements*), AU 935 (*Compliance Audits*), and AU 240 (*Consideration of Fraud in a Financial Statement Audit*). These documents provide significant, authoritative guidance as to the auditor's responsibility for compliance testing.

This guide has the effect of law under R.S. Title 24, but is not intended to replace professional judgment. Therefore, the guide provides the structure under which governmental and related engagements are to be performed, without mandating detailed procedures.

This guide is amended and updated from time to time as needed. Matters not included within this guide may be directed in writing to the Legislative Auditor or the Society of Louisiana Certified Public Accountants, Governmental Accounting and Auditing Committee.

Louisiana Legislative Auditor **Society of Louisiana Certified Public Accountants**

100. LOUISIANA AUDIT LAW

.01 The Louisiana Audit Law [Louisiana Revised Statutes (R.S.)] 24:513-et. seq. provide for fiscal accountability for state and local governmental units in Louisiana and their related quasi-public agencies. The law states, "The Legislative Auditor shall have authority to compile financial statements and to examine, audit, or review the books and accounts of the state treasurer, all public boards, commissions, agencies, departments, political subdivisions of the state, public officials and employees, public retirement systems enumerated in R.S. 11:173(A), municipalities, and all other public or quasi-public agencies or bodies, hereinafter collectively referred to as the 'auditee.' The scope of the examinations may include financial accountability, legal compliance and evaluations of the economy, efficiency, and effectiveness of the auditee's programs or any combination of the foregoing." R.S. 24:513 A. (1)(a)

.02 The Legislative Auditor has access to all papers, books, documents, films, tapes, and any other forms of recordation, including but not limited to computers and recording devices, in all offices in which he is authorized to audit. The Legislative Auditor has access to all computers and recording devices, all software and hardware that hold data, or is part of the technical process leading up to the retention of data or is part of the security system. The Legislative Auditor may have access to confidential information, including tax return information, but must hold such information as privileged or confidential information. R.S. 24:513 A. (1)(a) and 24:513 I.

.03 Generally, the Legislative Auditor performs the audits of state agencies included in the state's Comprehensive Annual Financial Report, and independent certified public accountants (CPA) perform the audits of local auditees (local governments and quasi-public agencies). Under limited conditions, the Legislative Auditor is authorized to audit local auditees. These conditions include:

- The local auditee has failed to comply with provisions of the state audit law.
- The local auditee is unable to pay for an audit, subject to approval by the Legislative Auditor and ratification by the Legislative Audit Advisory Council (LAAC).
- The local auditee has significant control and accounting deficiencies.
- Complaints and allegations of illegal acts have been filed with the Legislative Auditor against the local auditee.
- The local auditee is unable to receive a competitively priced audit.
- In the opinion of the Legislative Auditor and the LAAC, the best interest of the state would be served by such an audit. R.S. 24:513 A. (4)

.04 Reports of the Legislative Auditor, and those of the independent CPA auditing state and local government, are public records upon issuance of the reports. R.S. 24:513 G.

.05 Working documentation of the Legislative Auditor is confidential. Access to working documents is permitted for auditors with approved engagement letters within any office of the Legislative Auditor. R.S. 44:4 (6)

.06 R.S. 24:513 requires governmental audits and related work and examinations of quasi-public agencies, as follows:

> (A) The financial statements of the state of Louisiana shall be audited annually. The financial statements of individual state agencies, departments, boards, and commissions that compose a material part of the state's financial statements, as determined by the Legislative Auditor, shall be subjected to audit tests annually. The financial statements of all other individual state agencies,

departments, boards, and commissions shall be audited at least once every two years, to include the transactions of both years. However, at the discretion of the Legislative Auditor, the following audit provisions for local government may be applied to an individual state agency, department, board, or commission.

(B) The accounts and financial statements of parish tax collectors shall be audited annually.

(C) The financial statements of local auditees, as defined in R.S. 24:513 (A)(3), shall be audited as follows:

(i) Any local auditee that receives $50,000 or less in revenues and other sources (other sources would include bond proceeds, one-time grant revenues, and additions to fiduciary funds) in any one fiscal year shall not be required to have an audit, but must file a certification with the Legislative Auditor indicating that it received $50,000 or less in funds for the fiscal year. The auditee shall annually file with the Legislative Auditor sworn financial statements as required by R. S. 24:514. (Grants from the Governor's Office of Rural Development shall not be used in computing the revenue and other source threshold.) However, the Legislative Auditor, at his discretion, may require said local auditee to have an audit of its books and accounts.

(ii) Not withstanding the provisions of R.S. 24:514, any local auditee that receives more than $50,000 in revenues and other sources (other sources would include bond proceeds, one-time grant revenues, and additions to fiduciary funds) in any one fiscal year, but less than $200,000, shall cause to be conducted an annual compilation of its financial statements, with or without footnotes, in accordance with the Louisiana Governmental Audit Guide. However, the Legislative Auditor, at his discretion, may require said local auditee to have an audit of its books and accounts.

(iii) Any local auditee that receives $200,000 or more in revenues and other sources (other sources would include bond proceeds, one-time grant revenues, and additions to fiduciary funds) in any one fiscal year, but less than $500,000, shall cause to be conducted an annual review of its financial statements to be accompanied by an attestation report in accordance with the Louisiana Governmental Audit Guide. However, the Legislative Auditor, at his discretion, may require said local auditee to have an audit of its books and accounts.

(iv) Any local auditee that receives $500,000 or more in revenues and other sources (other sources would include bond proceeds, one-time grant revenues, and additions to fiduciary funds) in any one fiscal year shall be audited annually.

The annual financial report for quasi-public agencies must include all public funds. The report may exclude funds from private sources, such as donations, unless the public funds have been commingled with the public funds that the agency has received. If private funds have been commingled with public funds, all funds are considered public funds and must be included in the annual financial report.

Justices of the peace and constables have been granted an exception to the above thresholds: justices of the peace and constables with revenues/expenses of $200,000 or less may provide a sworn financial statement in lieu of the above requirements. Those justices of the peace and constables with greater than $200,000 in revenues/expenditures must provide for a compilation report. However, the Legislative Auditor, at his discretion, may require a justice of the peace or constable to provide for an audit or review/attestation of his/her financial statements.

111 PENALTIES

.01 Any public official who refuses to furnish the Legislative Auditor with books, accounts, et cetera, who refuses to transmit reports or other documents upon request, or who otherwise obstructs or impedes the Legislative Auditor's examination is subject to fines and imprisonment under R.S. 24:518.

200. CHARACTERISTICS OF LOUISIANA GOVERNMENTAL UNITS

.01 The government environment is vastly different than the business environment. The business environment is driven by a profit motive. Governments, and their related quasi-public agencies, are driven by the desire to provide public services in an efficient and effective manner.

.02 The manner in which these services are provided is strictly controlled through a variety of laws and regulations. These restrictions include state and federal laws and administrative regulations, local ordinances, grant guidelines, contracts, revenue ordinances, bond indenture restrictions, regulatory boards, budgetary restrictions, et cetera. Furthermore, the various laws and regulations are subject to interpretation by legal counsel, the Louisiana Attorney General, and state and federal courts. Operations of government are as much controlled and restrained by such legal matters as they are by fiscal matters.

.03 The purpose of this section is to provide governmental accountants and auditors with an overview, by governmental unit, of governmental functions and restrictions.

211 STATE AGENCIES

.01 State agencies are organized under the Louisiana Constitution of 1974 and state law to provide general governmental services of state government. The statutory provisions that establish each state agency, Title 39 of the Louisiana Revised Statutes (R.S.) relating to public finance and the annual appropriation acts, govern the agencies' operations and finances.

.02 R.S. Title 39 grants the Division of Administration (DOA) fiscal management authority over executive branch state agencies. This authority is exercised by the various offices within the DOA, such as the Office of Statewide Reporting and Accounting Policy (OSRAP), the Office of State Purchasing, the Office of State Budget and Planning, the Office of Risk Management, et cetera.

.03 Applying the criteria of the Governmental Accounting Standards Board (GASB) Code Section 2100, the state of Louisiana reporting entity is comprised of numerous, diverse agencies, departments, boards, and commissions, to include Louisiana's higher education system. Most agencies are part of the 20 major departments of state government (the state's primary government), and their operations are reported within the General Fund or special revenue funds of the state of Louisiana. Besides these agencies, there are numerous other state agencies that are considered component units of the state and are reported as individual funds within the various fund types of Louisiana's basic financial statements. These include certain levee districts, port commissions, pension funds, and all public colleges and universities. Because of changes that occur in the composition of the reporting entity, the state must constantly monitor the creation or abolishment of governmental units for the purpose of redefining the state reporting entity.

.04 Annually, the state of Louisiana prepares and issues a Comprehensive Annual Financial Report (CAFR), which is audited by the Legislative Auditor. In compiling data for the state's CAFR, the DOA and the OSRAP use financial statements prepared by the individual state agencies. Prior to June 30 each year, DOA and OSRAP prepare closing packages and financial reporting forms, which are sent to the various state agencies for completion.

(A) The reporting packages for state agencies operating primarily from state appropriated funds (generally, the 20 major state departments) report annually in formats designed to reflect compliance with the annual appropriation acts. In addition, the reporting packages include information designed to reconcile the legal basis of accounting and reporting to the accounting principles generally accepted in the United States. This aids DOA in producing the state's CAFR.

(B) Separate reporting packages are developed for each separate component unit, enterprise funds, colleges and universities, et cetera. These component unit reports are prepared in a format that conforms with accounting principles generally accepted within the United States, again, to aid the DOA in the production of the state's CAFR.

.05 The state's primary government uses several different types of funds in carrying out its operations as prescribed by law as is reflected in the legal-based reports described previously in .04(A). These funds include general appropriation funds, ancillary funds, internal service funds, enterprise funds, and fiduciary funds.

.06 General appropriation funds account for the appropriations authorized annually by the Louisiana Legislature. Generally, these appropriations lapse at year-end and are used to provide specific governmental services as authorized in the appropriation act and supporting executive budget. These appropriations are reported within the General Fund of the state of Louisiana's annual CAFR. In medium and large state agencies, there may be several general appropriation funds. These general appropriation funds usually parallel the various offices within the agency, such as Office of Secretary, Office of Management and Finance, et cetera.

.07 Ancillary funds are authorized by the annual ancillary appropriation act passed by the legislature. Monies appropriated in this act may be withdrawn from the state treasury, to the extent of funds deposited in the Department of Treasury, to provide auxiliary services such as canteen operations, prison enterprises, et cetera. Funds remaining on deposit with the state treasury at year-end are routinely re-appropriated in subsequent years for operations of the specified program. The ancillary appropriation act specifies two types of ancillary funds, internal service funds and enterprise funds.

- Internal service funds are established to account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental units, on a cost-reimbursement basis. The internal service funds are reported as proprietary activities at the fund-level statements, but are consolidated with governmental activities within the entity-wide financial statements of the state of Louisiana.

- Enterprise funds are established to account for operations that are financed and operated in a manner similar to a private business. The enterprise funds are reported as business-type activities within the state’s annual CAFR.

.08 The various state agencies, in carrying out their duties and responsibilities, may act in a custodial capacity for funds that belong to individuals or other governments, such as patient or inmate accounts, pension plans, et cetera. These custodial funds fall into any one of the several fiduciary fund types defined by accounting principles generally accepted in the United States, including investment pools, pension trust, private-purpose trust, and agency funds. These funds are not reported in the state’s entity-wide financial statements, but are reported in the fund-level financial statements.

.09 Governmental units that are not part of the state's primary government, but are component units of the state's reporting entity, are reported in the applicable fund type(s) in the state's financial statements or by discrete presentation.

.10 Many state agencies receive federal funds. Annually, the Legislative Auditor performs a single audit on the state of Louisiana taken as a whole. This audit builds upon the single audit work performed in individual state agencies. Audits of individual state agencies should be consistent with the annual statewide single audit plan of the Legislative Auditor, which is approved by the United States Department of Health and Human Services (cognizant federal agency for Louisiana state government).

.11 The Louisiana Attorney General or a contract attorney serves as legal counsel to the state of Louisiana and individual state departments and boards.

212 RETIREMENT SYSTEMS

.01 Retirement systems (PERS) within Louisiana government may be state systems, statewide systems, or local retirement systems. These systems are organized under constitutional and/or statutory provisions of state law. Louisiana statutes provide for the method of funding and benefit privileges.

.02 These systems should follow the statements and interpretations of the GASB in areas of accounting and reporting. These systems are required to have an annual actuarial valuation and to provide actuarial information to the Legislative Auditor in such a manner prescribed by the Legislative Auditor (an annual reporting form is issued by the Legislative Actuary). The actuarial information must be presented to the Legislative Auditor within 120 days of the close of the PERS fiscal year (R.S. 24:514).

.03 Most, if not all, of these retirement systems are component units of some other primary government. As such, the primary government should include the activity of the retirement system in its basic financial statements at the fund-level statements. However, the PERS should continue to issue its own component unit or plan financial statements.

.04 These retirement systems generally have a board of control that administers the retirement system within the confines of state law. Benefit privileges within the state law are very complex.

.05 Most retirement systems have two funds, a retirement fund and an administrative fund. Contributions and other resources to fund benefits flow into the retirement fund. Benefits and refunds are paid from the retirement fund. Annually, a portion of interest earnings or some budgetarily determined amount is transferred from the retirement fund to the administrative fund. Operating expenses are paid from the administrative fund. The administrative expenses of state retirement systems are subject to budgetary control. These state retirement systems employ encumbrance accounting to avoid overspending their appropriation limits. For reporting purposes, the retirement fund and the administrative fund are combined to report the financial position and results of operations of the retirement plan.

.06 Revenues generally consist of employee contributions, employer contributions, investment earnings, and, in some cases, dedicated tax revenues. Expenditures consist of administrative expenses, benefit payments, survivor benefits, refunds, et cetera. State law authorizes both contribution rates and benefit expenditures.

.07 Unusual to retirement systems is their differing fund balance structure (dual structure, legal and GAAP). In most instances, the fund balance accounts of retirement systems are specified by law and may include members contribution account, pension accumulation account, pension reserve account, et cetera. However, for reporting purposes, accounting principles generally accepted in the United States may require a different breakdown of fund balance within the annual financial statements. As such, the accountant may need to use footnote disclosure to disclose the legal structure of fund balance.

.08 Under generally accepted accounting principles, retirement systems apply accrual accounting. Furthermore, the GASB has issued statements governing the reporting of plan financial statements and reporting of plan activities within the financial statements of their sponsoring governmental employer.

.09 The Louisiana Attorney General, the parish district attorney, the city attorney, or a contract attorney serve as the PERS legal advisor, depending on the type of retirement system. Furthermore, general oversight is provided by the Legislative Actuary, the boards of the respective retirement plans, and the Louisiana Senate and House committees on retirement systems.

213 COLLEGES AND UNIVERSITIES

.01 Colleges and universities are publicly supported institutions of higher education under the management of a state governing board (Board of Supervisors for the University of Louisiana System, Louisiana State University Board of Supervisors, Louisiana Community and Technical College System Board or Southern University Board of Supervisors) and the Louisiana Board of Regents. As a state university, operations of the instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. These publicly supported institutions of higher education are considered component units of the state of Louisiana (reporting entity).

.02 The GASB requires public institutions of higher education to be accounted for using the governmental model (GASBS35). The universities' basic financial statements are brought into the state's basic financial statements with a single column presentation.

.03 The annual budgets of colleges and universities are established by annual legislative action (general appropriation act) and by R.S. Title 39. Budgets are generally prepared based on a funding formula for higher education, established by the Louisiana Board of Regents. Budgets require the approval of the appropriate governing board, the Louisiana Board of Regents, the DOA - Office of Budget and Planning, and the Louisiana Legislature. Budgets are adopted on the accrual basis of accounting, except that leave costs are treated as budgeted expenditures to the extent that they are paid, depreciation is not recognized, and inventories of the General Fund are recorded as expenditures at the time of purchase. The other funds of the university, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

.04 Nonprofit organizations associated with the colleges and universities (quasi-public agencies such as foundations, booster organizations, facility building corporations, alumni associations) may be reported in the financial statements of the college or university (GASB39). These organizations have a statutory, annual audit requirement (R.S. 17:3390). Copies of their annual audits are filed with the Legislative Auditor.

.05 As a major recipient of federal awards, colleges and universities have an annual audit requirement under the Single Audit Act. This audit requirement may be satisfied through the provisions of the Office of Management and Budget (OMB) Circular A-133. The United States Department of Health and Human Services serves as the federal cognizant agency and provides oversight of the college or universities' indirect cost allocation programs.

.06 Colleges and universities are generally audited annually because of their major federal programs. The universities have a further audit responsibility for their athletic programs under requirements of the National College Athletic Association (NCAA). These NCAA audits are agreed-upon procedures examinations performed under the requirements of NCAA *Financial Audit Guidelines*. The annual audit and the agreed-upon procedures examination should not duplicate audit work.

.07 The Louisiana Attorney General or a contract attorney serves as a legal advisor to the colleges and universities.

214 JUDICIAL DISTRICTS

.01 Judicial districts are established under state law to provide the district court system in Louisiana. These districts may be multiple or single parish districts. The operations and expenditures of the district court system are found in a number of different legal entities, accounting systems, and funds, including state government, the parish police jury (criminal court fund and General Fund), the clerk of court, the district attorney, the indigent defender board, and the judicial expense fund.

.02 The criminal court funds, established within each parish police jury, are established under R.S. 15.571.11. The criminal court fund is funded through fines and forfeitures imposed by the district court in criminal cases. Expenditures of the fund are for the general operating costs of the criminal court, to include transcriptions, statements, costs of the petit jury and grand jury, attendance fees, and certain costs of the district judges and the district attorney. The criminal court fund is normally audited as a part of the parish police jury and, generally, considered a part of the parish reporting entity. Generally, the criminal courts receive no federal or state grants and are restricted only by the expenditure limitations of R.S. Title 15. The criminal court fund is normally audited as a part of the parish police jury and as such follows the audit frequency of the jury.

.03 Under constitutional provisions and R.S. 15.571.11, the Office of the District Attorney is established within each judicial district. The General Fund (Expense Fund) of the district attorney is funded by a 12% deduction from fines and is subject to budgetary control. The fund is used to pay general operating expenditures of the parish district attorney. Other general operating expenditures of the district attorney are funded directly by the various parish governing authorities or the state.

.04 In addition to the General Fund, the district attorney may maintain special revenue funds to account for specific programs, such as the support enforcement program, rape or drug programs, the worthless check collection program, asset forfeiture fund, et cetera. The support enforcement program is funded through reimbursements from the Department of Children and Family Services (DCFS), part of which is federal flow-through monies. (DCFS has published regulations to govern the Title IV-D Support Enforcement Program.) This federal award may subject the district attorney to the provisions of OMB Circular A-133, depending on the level of federal awards.

.05 The district attorney is a state officer, but works within the local district court system. Depending on the judicial district, multi-parish or single parish, the district attorney may have a significant dependence on the parish governing authority. The governmental accountant and auditor must consider the financial relationships of the district attorney in determining whether the district attorney is a component of the parish governing authority or an autonomous reporting entity (GASBS 14). The auditor should also refer to GASBS 24 relating to on-behalf payments.

.06 The district attorney provides an annual report to the Louisiana Legislative Auditor. The type of report depends on the level of funding for the office as a whole. Depending on the level of federal awards, the requirements of the Single Audit Act may apply to the audit. DCFS serves as a state oversight agency for audit purposes.

.07 Judicial expense funds are created by R.S. 13:991-996. Each judicial expense fund is created individually, and the creating statute should be reviewed as part of the audit planning process. In general, the creating statutes provide that the judges of the districts may levy court costs for operations of the courts. The amount of court costs to be levied in civil and criminal cases is determined by the judge or majority of the judges in those districts with more than one judge. The amount of costs levied cannot exceed that amount established by the creating statute. Court costs are normally collected by the clerk of court and the sheriff, remitted to the judge, and deposited to the judicial expense fund. The judge or majority of judges in the district determines expenditures from the fund. Expenditures can be for any purpose cited in the creating statute and normally include materials and supplies, law library, and salaries of those individuals appointed by the judges. The judges may appoint law clerks, court reporters, secretaries, clerks, research clerks, administrative staff, and other personnel as they deem necessary. The creating statutes normally state that salaries of judges cannot be paid from the judicial expense fund.

.08 In that many expenses of the court are paid by the state and the parish governing authority; the courts are often considered a part of the parish reporting entity. The accountant and auditor should refer to GASBS 14 for guidance in determining whether the court should be included as a component unit of the parish governing authority or issues stand-alone financial statements. The auditor should also refer to GASB 24 relating to on-behalf payments.

.09 Act 307 of the 2007 Regular Legislative Session established the Louisiana Public Defender Board (formerly known as the Indigent Defense Assistance Board.) Act 307 authorizes the Louisiana Public Defender Board to establish a maximum of 11 public defender service regions. Within the public defender service regions, the board shall contract with a district public defender in each judicial district. The district public defender programs are considered separate reporting entities from the parish police jury and state government.

.10 These differing boards, offices, and funds all relate to the district court system. They generally provide information on a portion of the district court's activities. Portions of their expenditures are paid from other sources, such as the state, the parish police jury, or another fund or office. Most of these functions are subject to the Local Government Budget Act; some are not. All should follow the statements and interpretations of the GASB in their accounting and reporting functions.

215 POLICE JURIES OR PARISH GOVERNING AUTHORITIES

.01 Police juries are the governing authorities of general parish government, excluding education services. R.S. 33:1236 establishes the powers of the police juries to provide general governmental services at the parish level. These include general administration, health, public works, public welfare, economic development, public safety, et cetera.

.02 In providing these services, it is common for the jury to create special service districts to facilitate certain public services. These districts are subject to oversight by the parish police jury. The existence of the special service districts makes the development of a reporting entity report somewhat complex. In addition, the police jury may join with other governmental units to create a (joint venture) special service district to provide governmental services within several governmental jurisdictions. These special service districts are subject to oversight by all participants in the joint venture.

.03 Police juries often use quasi-public corporations, to which public funds pass, to provide public services on behalf of the jury. The jury normally retains responsibility for the public programs and a responsibility to oversee the activities and transactions of the quasi-public corporation. These quasi-public corporations are generally subject to the state audit law.

.04 The major sources of revenues are ad valorem (property) and sales taxes. These taxes may be assessed for general operating expenses of the parish or may be dedicated for a specific purpose. Dedicated taxes should be expended in accordance with the authorizing tax proposition.

.05 The police juries should follow the pronouncements of the GASB in matters of accounting and reporting. The Local Government Budget Act governs the budgeting practices of the juries. Louisiana law requires juries to employ centralized administration in the area of accounting, purchasing, and public works and maintenance.

.06 As a recipient of federal funds, the juries have a responsibility to comply with the provisions of the Single Audit Act. In addition, grants made by the jury to sub-recipients must also comply with the act. The federal agency providing the preponderance of funding serves as federal cognizant agency, and DCFS serves as state oversight agency. The larger federal programs include the Food Stamp Program and the Community Development Block Grant Program.

.07 The following are some of the more significant legal citations used in a police jury audit:

Finance:
Budgets, R.S. 39:1301-1315
Taxes, R.S. 33:1236 & 47:337.5.1
Purchasing, R.S. 38:2211-2225
Fixed assets, R.S. 24:515
Investments, R.S. 33.2955, 39: 1272
Fiscal agent, R.S. 39:1211-1235
Audits and reports, R.S. 24:513-519 & 42:282-287

Revenue:
Acreage tax, R.S. 39:702-705
Ad valorem tax, Const. Art. VI(26)
Beverage tax, R.S. 26:493
License tax, R.S. 47:341
Sales tax, Const. Art. VI(29)
Severance tax, R.S. 47:645, Const. Art. VII(4d)
Royalties, R.S. 30:145-147
Special assessments, R.S. 33:3747
Leases, R.S. 30:125-127 & 151-158 and R. S. 41:1291-1294
Revenue sharing, Const. Art. VII (26a&b)

Expenditures:
Advertising, R.S. 33:4873, 43:201&205, 43:111.1, and Const. Art. XI(4)
Assessors, R.S. 47:1906-1908, 33:4713, & 47:1705
Coroners, R.S. 13:5701-5706
Clerks of court, R.S. 13:782-787, 13:846, & 33:4713
Judges, R.S. 13:691-699 & 33:4713
District attorney, R.S. 16:81-833
Sheriff, R.S. 33:4713, 13:5523-5542, 15:566, 15:706, and 15:824
Suits, R.S. 13:5101-5111

Debt:
General, R.S. 18:1281-1295 & 33:2926
Purposes, R.S. 39:1011-1024 & 39:552-568
Limits, R.S. 39:552-560 & 39:1441-1443
Interest, R.S. 39:1423-1424
Taxes required, R.S. 39:569 & Const. Art. VI(33b)
Trust, R.S. 39:577
Certificates of indebtedness, R.S. 39:701-706, 39:741-742,39:1424, & 48:631-634
Assumption of debt, R.S. 39:661-670
Fiscal review committee, R.S. 39:1351 and 39:569.1

Functions and Services:
Agriculture, R.S. 33:3001, 33:2701-2705, & 3:301
Airports, R.S. 2:131-133, 2:261, 2:84-85, 33:4621-4622, 2:604-606, & 2:311-326
Cemeteries, R.S. 33:2740 & 8:111-112
Courthouse, R.S. 33:4715
Drainage, R.S. 33:1236(13), 38:142, & 48:483
Drainage districts, R.S. 38:1602-1665 & 38:1751-1843
Fire protection, R.S. 40:1492-1501
Garbage, R.S. 33:8001-8004
Health, R S. 40:12-31
Hospitals, R.S. 46:1051-1067

Housing, R.S. 40:391-539
Industry, R.S. 33:4717.1-.2, 51:1201, 33:1236(40), & 39:991-992
Jails, R.S. 33:4715, 15:702, & 15:751-763
Libraries, R.S. 25:211-221

Mosquito abatement, R.S. 33:7721-7726
Pauper funerals, R.S. 46:571
Planning, R.S. 33:101-137
Recreation, R.S. 33:4552-4566
Parish transportation, R.S. 48:751-759
Road districts, R.S. 48:571-596
Special assessments, R.S. 33:3681-3689.19
Sewerage, R.S. 33:3881-3889 & 33:4051-4055
Special districts, Const. Art. VI(15,16, & 19)
War memorial civic center, R.S. 33:4641-4647
Waterworks districts, R.S. 33:3811-3836

.08 The state of Louisiana provides police juries with funds from the Parish Transportation Fund. These monies may be used to (1) regulate the proportion and direction of construction and repairing roads, bridges, causeways, dikes, dams, levees, and highways to better the parish road system; (2) purchase equipment for this work; (3) assist in the cost of public transit; and (4) when requested by a municipality, perform all or part of the maintenance of municipal roads and streets. In providing this funding, R.S. 48:755 and 758 imposes the following compliance requirements on the jury:

(A) Approval of the governing authority for all expenditures

(B) The development of a capital improvement program on a selective basis

(C) Centralized purchasing of equipment and supplies

(D) Centralized accounting

(E) Development of a selective maintenance program

(F) Development of a construction program based on engineering plans and specifications

(G) Annual certification of compliance to the Legislative Auditor

These compliance requirements must be tested during the course of each police jury audit.

.09 In addition to providing monies for road construction and maintenance, the state provides monies from the Transportation Trust Fund to maintain and construct airport (R.S. 2:801-813) and port (R.S. 34:3451-3463) facilities. The allocation of these monies requires the airports and ports to comply with certain centralized administration provisions of the act. These compliance requirements must be tested during the course of each audit, whether performed as a part of the police jury audit or as an audit of separately issued financial statements of the airport or port.

.10 The jury maintains funds for the court (the criminal court fund) and the coroner (the coroner's operations fund). Expenditures of these funds are directed by the judges for the criminal court fund and by the coroner for the coroner's operations fund. However, since the jury is designated as the administrator of these funds, the funds must be included in the audit of the jury (at least in a fiduciary capacity). The auditor should consider the provisions of GASB Statement 14 in determining how these funds should be reported.

216 SCHOOL BOARDS (including charter schools)

.01 School boards, under R.S. 17:51-81, provide elementary educational services at the local school district level. General supervision is provided by the State Board of Elementary and Secondary Education and the Louisiana Department of Education, the oversight state agency for school boards. The federal agency providing the preponderance of funding serves as the cognizant federal agency.

.02 Revenues include general and special ad valorem and sales taxes, other local support, state grants, and federal grants. Expenditures are for the operating costs of the board and the school system it administers, to include general administration, instruction, support services, food services, transportation, facility acquisition, construction, debt service, et cetera.

.03 The special revenue funds of the school board generally consist of school district (maintenance) funds and federal funds. The school lunch fund is generally reported as a special revenue fund.

.04 United States Department of Education publication *Financial Accounting for Local and State School Systems*, July 1990, and the pronouncements of the GASB govern the accounting and reporting of local school boards. The local school districts are required to submit a special financial report to the Louisiana Department of Education entitled Part II-A of the Annual Financial and Statistical Report. This report should be prepared in accordance with the guidelines stated in the *Louisiana Accounting and Uniform Governmental Handbook, Bulletin 1929.* School boards are audited annually. The school boards are subject to the provisions of the Louisiana Local Government Budget Act, R.S. 39:1301-1315, and the budget requirements of the Department of Education, R.S. 17:88.

.05 In addition to the financial activity of the school board, each individual school maintains school activity accounts. These accounts should account for auxiliary activities of the schools, and should not be used for general operating costs of the schools (which should be accounted for at the board level). The accounts must be included in the basic financial statements of the school board and must be subjected to audit just as any other monies of the school board. (Separate engagement agreements are not approved for these accounts; the accounts are included within the scope of the school board's annual audit. However, separate agreed-upon procedures engagements are often performed regarding school activity funds. These agreed-upon procedures engagements must be approved by the Legislative Auditor's Office prior to commencement). The school board should have policies and procedures to control the school activity funds. The accounting and auditing provisions of state law may be found in R.S. 17:414.3. The Legislative Auditor has a document on its website regarding the general principles and guidelines concerning school activity funds that may be of assistance to accountants and auditors.

.06 School boards and other non-profit agencies are subrecipients of federal and state grants. The grantor state and federal agencies impose administrative regulation on the expenditure of those funds. Some of the most significant federal programs are passed-through the Louisiana Department of Education, and include monies from the Elementary and Secondary Education Act, exceptional children grants, and the school breakfast/lunch program. The state and federal compliance tests are a significant part of any audit. Specific compliance requirements are prescribed by OMB Circular A-133.

.07 In addition to federal programs and their program requirements, the school boards receive significant funding through state government. The minimum foundation program (MFP) provides the bulk of state funding to local educational programs. The MFP is regulated by the Louisiana Department of Education through annual circulars issued by the department. Compliance tests relating to the MFP are an important part of a school board examination. The auditor should contact the Louisiana Department of Education for the current circular.

.08 As oversight state agency for school boards, the Department of Education performs desk reviews of all school board audits. School boards are required to submit two copies of the reporting package to the Louisiana Department of Education, Bureau of Internal Audit.

.09 Charter schools are audited annually and are subject to the local government budget act.

.10 Parish and city school boards, and charter schools that do not report their performance measures within the audit report of another parish or city school board are required to report as part of their annual financial statements measures of performance. These performance indicators are found in the supplemental schedules:

- Schedule 1, General Fund Instructional and Support Expenditures and Certain Local Revenues Sources
- Schedule 2, Education Levels of Public School Staff
- Schedule 3, Number and Type of Public Schools
- Schedule 4, Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
- Schedule 5, Public School Staff Data: Average Salaries
- Schedule 6, Class Size Characteristics
- Schedule 7, Louisiana Educational Assessment Program (LEAP)
- Schedule 8, Graduation Exit Examination (GEE) (Note: The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.)
- Schedule 9, iLEAP Tests

As the school boards report this information in their annual financial statements, and statistical reports issued to the Louisiana Department of Education, auditors are required to provide certain assurance on these performance indicators through the application of certain agreed-upon procedures (see Appendix C).

217 SPECIAL SERVICE DISTRICTS

.01 Special service districts at the local level operate and function separately from the parish governing authority, parish school board, other independently elected parish officials, and municipalities. However, they are subject to general oversight by the creating governing authority(s). These districts are created to provide public services for its creating authority. These districts include drainage districts, recreation districts, sewerage districts, airport districts, utility districts, mosquito abatement districts, et cetera. Generally, these districts are component units of the creating governing authority or, where created jointly by various governing authorities, joint ventures.

.02 The creation of these districts is authorized by state statute. However, they are created, within the bounds of the authorizing statute, by a governing authority. These districts are governed by independent boards. The board members are appointed by the governing authority.

.03 Revenues of the districts generally consist of ad valorem taxes, state revenue sharing, and fees for services. Expenditures are for the public service functions for which the districts were created. These districts are subject to the Local Government Budget Act.

.04 The reporting requirement for special districts, generally, is based upon the level of funding (see R.S. 24:513).

.05 It is extremely difficult to track the audits of these component special districts and/or to identify whether or not they are included within the audit report of their creating or primary government. Management and their auditors are encouraged to specify the components included in the reports of a primary government in the engagement agreement and in the transmittal letter to the Legislative Auditor accompanying the financial statements.

218 ASSESSOR

.01 The assessor, in accordance with Article 7, Section 24 of the Louisiana Constitution of 1974 and R.S. 47:1901-1923, assesses property and prepares tax rolls as directed by law. The assessor prepares the annual property tax assessment rolls for the parish, showing the assessed values and the amount of

property taxes due, which is submitted to the Louisiana Tax Commission. The electors of each parish elect the assessor, Orleans Parish excepted, for a term of four years.

.02 The General Fund of the assessor is the principal fund of the assessor, provided by R.S. 47:1906, and is commonly called the Salary and Expense Fund. The assessor's primary source of revenue is an ad valorem tax levied by the assessment district or compensation received from the various taxing bodies, as prescribed by formula in R.S. 47:1907-8. General operating expenditures are paid from the General Fund, which generally include salaries and related benefits, travel, operating services, et cetera. Louisiana law specifies the assessor's salary and allowance.

.03 Periodically, the Louisiana Legislature appropriates funds to the Louisiana Tax Commission for the purpose of reassessment. These funds are allocated to the parish assessors to pay the additional costs incurred in implementing the constitutional mandate contained in Article VII, Section 18 of the Louisiana Constitution of 1974 relative to the reassessment of property for ad valorem tax purposes. (The constitutional mandate requires that all property subject to taxation be appraised and valued at intervals of not more than four years.) The appropriation is accounted for in a special revenue fund, commonly called the Special Assessment Fund. The Louisiana Tax Commission, in accordance with R.S. 49:953, has developed guidelines for the receipt and expenditures of these funds.

.04 Generally, the assessor receives no federal funds and is restricted only by general state law, the provision of R.S. Title 47, and regulations of the Louisiana Tax Commission.

.05 Assessors receive significant support from the parish governing authority. As such, they may be considered part of the parish reporting entity. The auditor should consult GASB Statement 14 in determining the nature of the financial statements to be issued.

.06 Certain expenses of the assessor are paid directly by the parish governing authority or other taxing bodies of the parish (see GASB Statement 24). Assessors must budget in accordance with the Local Government Budget Act.

219 CLERK OF COURT

.01 The clerk of court (R.S. 13:781) serves as the parish recorder of conveyances, mortgages, notary public, et cetera. Under Article 5, Section 28 of the Louisiana Constitution, the clerk serves a term of office of four years. The clerk may appoint deputies with duties and powers provided by law, with the approval of the district judge.

.02 The operations of the clerk's office are funded through fees and costs assessed in court actions:

R.S. 13:841	Fees in civil matters
R.S. 13:844	Recording fees
R.S. 13:846	Fees for court attendance
R.S. 13:847	Fees in criminal actions

These fees are accounted for in the principal operating fund of the clerk, the General Fund (R.S. 13:781). The fund is commonly referred to as the Salary and Expense Fund. All operating revenues are deposited to the fund, and all operating expenditures are paid from the fund (except those paid by other governmental units). Expenditures generally include salaries and related benefits, travel, operating services, and materials and supplies. The clerk's salary and allowance is specified by state law.

.03 In addition to the General Fund, each clerk maintains certain fiduciary funds to account for court activity, including at a minimum the Advance Deposit Fund and the Registry of Court Fund. These funds are custodial in nature and are used to account for deposits made with the district court. The Advance Deposit Fund (R.S. 13:842) is used to account for advance deposits in suits filed by litigants. The Registry of Court Fund (R.S. 13:475) is used to account for funds held by order of the court until judgment is

rendered by the judiciary. These funds are reported as agency funds; monies accruing to other funds of the clerk must first be reclassified to those funds. The notes to the financial statements or supplemental schedules should detail the activity within these fiduciary funds.

.04 Generally, the clerk does not receive federal financial assistance and is subject only to the provisions of general state law and R.S. Title 47.

.05 Budgeting practices must conform to the Local Government Budget Act. Annual financial statements may follow the provisions of the GASB.

.06 Like the other independently elected parish officials, the clerk may be considered part of the parish reporting entity, given the fiscal dependence of the clerk on the parish. The parish police jury pays certain capital outlay expenditures, as well as office space in the courthouse (GASBS 14 and GASBS 24).

220 SHERIFF

.01 The sheriff serves in three capacities: (1) he/she is the chief law enforcement officer of the parish (R.S. 13:5521-5560); (2) he/she is the chief executive officer of the law enforcement district; and (3) he/she is the ex-officio tax collector for the parish (Article V, Section 27 of the Louisiana Constitution of 1974). Revenues of the sheriff consist of ad valorem taxes, state revenue sharing, and various fees and commissions. Expenditures are for the general operations of his office and include administration, patrol, investigations, prisoner maintenance, et cetera. State law specifies the sheriff's salary and allowance. The sheriff must budget in accordance with the Local Government Budget Act.

.02 The General Fund of the sheriff is the general operating fund of the sheriff. Basic operating revenues are received in the fund, and operating expenditures are paid from the fund. The following are some of the revenues of the General Fund and, where applicable, the statutory reference:

Revenue Source	Reference
Ad valorem taxes	R.S. 13:5901-5912
Commissions from tax collections	R.S. 13:5523
Department of Corrections	R.S. 13:5525
Federal reimbursements	R.S. 13:5527
Fees in civil matters	R.S. 13:5530
Fees in criminal matters	R.S. 13:5535
State revenue sharing	Annual appropriation act
State supplemental pay	Annual appropriation act & R.S. 33:2218.8

.03 In addition to routine law enforcement expenditures, the sheriff may fund and provide auxiliary public safety programs, such as neighborhood watch programs, inmate work release programs, programs for juveniles, et cetera.

.04 In addition to the General Fund, the sheriff maintains a series of fiduciary accounts, known as the Sheriff's Fund. This fund is used to account for licenses, fines, cash bonds, civil suits, et cetera. The fund may be broken down into sub-funds (i.e., Bond Fund and Fines Fund) that are combined for financial reporting purposes. The funds are reported as an agency fund; monies accruing to other funds of the sheriff must first be reclassified to those funds. The notes to the financial statements or supplemental schedules should detail the activity within these fiduciary funds.

.05 The sheriff maintains an additional fiduciary fund known as the Tax Collector Fund. This fund is used for the collection of parish taxes, licenses, permits, et cetera, and the remittance of those amounts to the

respective taxing bodies. The fund is reported as an agency fund; monies accruing to other funds of the sheriff must first be reclassified to those funds. The notes to the financial statements or supplemental schedules should detail the activity within these fiduciary funds. State law imposes certain certification requirements on an auditor auditing the Tax Collector Agency Fund that exceed generally accepted governmental auditing standards.

.06 Like the other independently elected parish officials, the sheriff may be considered part of the parish reporting entity, given the fiscal dependence of the sheriff on the parish. Certain capital outlay expenditures, as well as office space in the courthouse, are paid by the parish police jury. (GASBS 14) (GASBS 24)

.07 The sheriff may receive federal financial assistance. As a recipient of federal awards, the sheriff may be subject to the Single Audit Act, depending on the level of federal funding. Furthermore, the sheriff receives state supplemental pay for deputies. This state program has certain restrictions for participation in the supplemental pay program and is considered a major state program for compliance testing purposes.

.08 Under R.S. 24:513, the sheriff is audited annually. The accounts of the tax collector must also be audited annually.

221 JUSTICES OF THE PEACE AND CONSTABLES

.01 Justices of the peace (JP) and constables are public officials subject to the state audit law. However, these public officials are only required to file with the Legislative Auditor sworn financial statements, annually, provided their annual revenues/expenditures are $200,000 or less. Those JPs and constables with revenues greater than $200,000 must provide the Legislative Auditor with an annual compilation report. However, the Legislative Auditor, at his discretion, may require a JP or constable to provide for an audit or review/attestation of his/her financial statements.

222 MUNICIPALITIES

.01 Municipalities must provide an annual financial report to the Louisiana Legislative Auditor in accordance with R.S. 24:513. The reporting requirement is based on the amount of revenues and other sources received. Other sources include bond proceeds, one-time grant revenues, and additions to fiduciary funds.

.02 The majority of municipalities in Louisiana are chartered under the Lawrason Act (R.S. 33:321). This type of municipal government is the mayor and board of aldermen form. Depending upon population of the municipality, there may be as many as nine or as few as three aldermen. It was the intent of the act to provide a uniform type of government for all municipalities in Louisiana. Until 1910, when the first city commission act was passed, the Lawrason Act set forth the only general legislative charter for municipalities. As the law provides today, a municipality created after July 29, 1898, is governed by the Lawrason Act, unless it is eligible to exercise an option to adopt one of the other forms of government provided by statute or special legislative charter.

.03 Municipalities may also be governed by home rule charters by virtue of constitutional amendments.

.04 All municipalities in Louisiana are required to maintain their books and records in conformity with accounting principles generally accepted in the United States. The minimum records that should be maintained are a cash receipts journal, a cash disbursements journal, a general journal, a general ledger, and a ledger of fixed assets.

.05 The Louisiana Local Government Budget Act, R.S. 39:1301-1315, requires all municipalities to prepare budgets on their general and special revenue funds. Municipalities are encouraged to adopt budgets for all funds, where practical.

.06 R.S. 33:463 requires all Lawrason Act municipal corporations to prepare annual financial statements in accordance with generally accepted accounting principles. The statements are to be available for public inspection and must be filed with the Legislative Auditor within 90 days of the close of the fiscal year, unless the agency has filed an approved engagement agreement with the Legislative Auditor within 60 days of the close of the fiscal year (R.S. 24:514).

.07 R.S. 24:513 imposes the responsibility to provide an annual financial report on all municipalities and establishes a time frame for the completion of these reports. These reports must be filed with the Legislative Auditor within six months of the close of the fiscal year.

.08 The OMB Circular A-133, which was issued pursuant to the Single Audit Act, provides audit requirements for state and local governments receiving federal financial assistance. A municipality that expends $500,000 or more in federal awards in a fiscal year is required to have an annual audit performed by an independent auditor in accordance with generally accepted governmental auditing standards and the provisions of the circular. The audit must cover the entire operations of the municipality. Cognizant federal agencies, which are determined based on the federal agency providing the majority of federal financial assistance to the municipality, whether directly or indirectly, ensure that audits are made and reports are received in a timely manner in accordance with the requirements of OMB Circular A-133.

.09 The more common revenue sources available to municipalities and the legal references applicable to these sources are presented as follows:

General Fund	
Property taxes	R.S. 33:2801
Penalty and interest on delinquent taxes	R.S. 33:2746
Sales taxes	R.S. 47:338.1
Franchise fees	R.S. 33:4401-4461
Occupational licenses	R.S. 33:4784

Building permits	R.S. 33:4744
Tobacco taxes	R.S. 47:869
Beer taxes	R.S. 26:493
Fines and forfeitures	R.S. 33:441
Interest earnings	R.S. 33:2955
Grants	(individual grant awards)

Special Revenue Funds

Taxes	R.S. 33:361
Interest earnings	R.S. 33:2955
Grants	(individual grant awards)

Debt Service Funds

Property taxes	R.S. 33:361
Interest earnings	R.S. 33:2955

Capital Projects Funds

Bond proceeds	R.S. 33:361
Interest earnings	R.S. 33:2955
Loans	R.S. 33:2924
Grants	(individual grant awards)

Special Assessment Funds

Assessments	R.S. 33:361
Interest earnings	R.S. 33:2955

Enterprise Funds

Water sales	R.S. 33:3822, 4163, & 4256
Electric sales	R.S. 33:4163 & 4256
Sewer sales	R.S. 33:4163 & 4256
Gas sales	R.S. 33:4163 & 4256
Passenger charges	R.S. 33:4163 & 4256
Landing fees	R.S. 33:4622
Parking fees	R.S. 33:4871
Rentals	R.S. 33:4671
Interest earnings	R.S. 33:2955
Bond proceeds	R.S. 33:361
Garbage fees	R.S. 33:4163 & 4256

Trust and Agency Funds

Employer and employee contributions	R.S. 33:2021-2024

Interest earnings	R.S. 33:2955
Dividends	R.S. 33:2955

.10 This listing should not be considered all-inclusive. The funds in which various revenues would be accounted for will depend upon the purpose for which the revenue was collected.

.11 Municipalities often use quasi-public corporations, to which public funds pass, to provide public services on behalf of the municipality. The municipality normally retains responsibility for the public programs and a responsibility to oversee the activities and transactions of the quasi-public corporation. The relationship is governed by a cooperative endeavor agreement. These quasi-public corporations are generally subject to the state audit law.

223 CITY COURTS

.01 City courts are created under the authority of R.S. 13:1871-2512. City courts may have one or more elected judges, depending on the number of divisions in the court. In courts with multiple judges, the judge with the most seniority is the presiding judge of the court. Each court may have one elected marshal or constable. Furthermore, the judge may appoint one clerk for both the civil and criminal sections of the court.

.02 Funds flowing through the court consist mainly of fines, forfeitures, court costs, penalties, and deposits in civil and criminal cases. In all criminal matters, judges may assess court costs not to exceed 30 dollars, unless provided otherwise by R.S. 13:1899. Such costs are used by the judge to defray the operating expenses of the court or for the payment of clerical fees and similar expenditures as may be approved by the judge. In all criminal matters, the judge shall assess court costs of not less than 15 dollars, unless provided otherwise by R.S. 13:1899(C). Such costs are transferred to a separate marshal's fund, which is under the control of the city marshal, to be used in defraying the expenses of operating the city marshal's office. The city marshal's fund is required to be audited by R.S. 13:1899(C). Such audit (generally) is separate and apart from the audit of the city court; however, the marshal is sometimes included within the report of the city court. Likewise, the city court is sometimes included within the reporting of the related municipality.

.03 Under the provisions of R.S. 24:513, city courts are required to provide annual financial reports to the Louisiana Legislative Auditor. The type of the report required is based on the amount of revenues and other sources the court receives. Other sources include additions to fiduciary funds. R.S. 13:1899(B) requires an audit of those court costs assessed and used by the judge for operational expenses of the court. The General Fund accounts for those court costs authorized by R.S. 13:1899(A) used in paying operating expenses of the court. Special revenue funds, although not common, would be used to account for special revenue sources controlled by the judge and required to be expended for legally specified purposes. Accounts for the collection and disposition of fines, forfeitures, court costs, penalties, and deposits are reported as agency funds; monies accruing to other funds of the court must first be reclassified to those funds. The notes to the financial statements or supplemental schedules should detail the activity within these fiduciary funds.

.04 Given the fiscal dependence of the city court on the municipality, city courts are often considered a part of the municipal reporting entity (GASBS 14). These costs should be reflected in accordance with GASBS 24.

224 HOUSING AUTHORITIES

.01 Public housing authorities (PHA) are created in accordance with R.S. 40:391. The statute authorizes PHA in all cities and parishes; however, the authorities are not permitted to conduct business until certain conditions, as defined in R.S. 40:392-395, are met.

.02 Under the United States Housing Act of 1937, as amended, the US Department of Housing and Urban Development (HUD) has direct responsibility for administering low rent housing programs in the United States. Accordingly, HUD enters into annual contribution contracts with PHA for the purpose of assisting the PHA in financing the acquisition, construction, and leasing of housing units and to make annual contributions (subsidies) to the PHA for the purpose of maintaining this low rent character.

.03 The annual contributions contract, Part II (HUD-5311, November, 1969) states, "The local authority shall at all times operate each project (1) solely for the purpose of providing decent, safe and sanitary dwellings (including necessary appurtenances thereto) within the financial reach of families of low income; (2) in such a manner as to promote serviceability, efficiency, economy and stability; and (3) in such a manner as to achieve the economic and social well being of tenants."

.04 The PHA provides housing for low income tenants by two basic means. First, housing is provided through the low income housing program whereby the ownership of the rental units is in the name of the PHA. As a result, the PHA is in a rental management type situation, including maintenance, leasing of units, construction, collecting rents, overseeing grounds, insuring units, et cetera. Second, low income tenants are provided housing through the Section 8 program involving private landlords. This program involves the PHA more as an agency for HUD whereby it receives funds from HUD and subsidizes tenant rents usually by direct payments to landlords. This program is less labor and capital intensive since no expenditures are required for purchase, construction, or maintenance of rental units.

.05 PHAs are governed by a five-member board of commissioners who are appointed by the mayor or the police jury and serve three-year staggered terms. Sometimes police juries or municipalities administer the Section 8 program. In these cases, no separate governmental body is established, and the financial activity of the Section 8 program is included as a part of the annual financial report of the police jury or municipality.

.06 Under the Single Audit Act and R.S. 24:513 (including a consistent urging by HUD), Louisiana PHAs are generally audited annually, depending on level of funding. The PHAs cognizant agency is HUD. The New Orleans area office of HUD is responsible for Louisiana PHAs, while the regional office of HUD in Fort Worth, Texas, is responsible for PHAs in the five regional states.

.07 Accounting practices and procedures are those prescribed or permitted by HUD and R.S. 24:514.

.08 Generally, revenues for the low income housing program include rental income, interest income, maintenance charges, and funding from HUD to be used for the following:

- Development—construction of rental units
- Modernization—refurbishing rental units (painting, re-roofing, et cetera)
- Operations—Annual contributions--to cover interest and principle on notes or bonds issued to pay for development
- Operating subsidies—to cover deficiencies between projected income and expenses
- Special subsidies—to cover insurance, et cetera

.09 Revenues for the Section 8 program are interest income and HUD grants. These grants provide funding for the following:

- Housing assistance payments to private landlords
- Audit costs
- Nonexpendable equipment purchases
- Hard-to-house tenant costs

- Administrative fees (paid by HUD based upon a fee per leased unit to cover PHA's soft costs, office expense, payroll costs, et cetera)

.10 HUD regulations require the PHA to submit, on HUD forms, annual operating budgets on each program in a time period of 120 to 30 days prior to the start of the year and annual financial statements of actual operation within 45 days of the close of the year. State law also prescribes budget and reporting practices. (R.S. 39:1301-15 and 24:514)

225 HOSPITALS

.01 Hospitals operated by local governments are usually operated by hospital service districts. Hospital service districts are created under the provisions of R.S. 46:1051 and are component units of the parish governing authority. Hospital service districts are governed by R.S. 46:1051-1069 and must comply with other general laws of the state applicable to local government. In some cases, hospital service districts lease district-owned hospitals to for-profit and not-for-profit organizations, which may eliminate the hospital service district's audit requirement. It may impose, as a quasi-public agency, an audit requirement on the operator of the hospital.

.02 Public hospitals are commonly reported as enterprise funds.

.03 Revenues include charges for services to patients on both an in-patient and out-patient basis, payments from insurance companies for the services provided to their policyholders, and receipts from other governmental units in the form of reimbursements or grants. The major portion of revenues received from other governmental units is in the form of Medicare and Medicaid reimbursements. Medicare and Medicaid reimbursements usually come through an administrator, such as an insurance company, with reimbursements being received on the basis of individual patient requests or periodic interim payments based on prior history of patient load. At the end of each fiscal year, a Medicare cost report is required to be prepared that allocates the cost of operating the facility between the cost of supporting Medicare/Medicaid patients and all other patients. Medicare is considered to be direct aid to recipients and Medicaid is considered to be a vendor payment to a provider; therefore, these payments do not fall under the Single Audit Act. Due to the settlement of costs after year-end, an evaluation account generally titled Allowance for Contractual Adjustments must necessarily be established. Expenses of hospitals are divided into the various cost centers, and strict accounting is required for a proper allocation of costs under the Medicare/Medicaid programs.

.04 Guidance for audits of hospitals may be obtained from American Institute of Certified Public Accountants publications such as *Audits of State and Local Governments* and *Audits of Health Care Organizations*. If the hospital receives federal financial assistance, the audit must be conducted in accordance with the Single Audit Act and other appropriate federal regulations. If the hospital is an educational facility and receiving grants as an educational facility, requirements of OMB Circular A-110 are applicable. With regards to preparation of the *Medicare Cost Reports*, guidance may be obtained from publication HIM-15, issued by the Health Care Financing Administration.

226 FINANCE AUTHORITIES AND SIMILAR TRUSTS

.01 Mortgage finance authorities and other similar trusts are formed in accordance with R.S. 9:2341-2347. These public trusts are created to further and accomplish various public functions of any parish, municipality, political or governmental subdivision, or the state of Louisiana. This is normally accomplished through the issuance of public trust bonds. These public trusts are considered to be public corporations of the beneficiary of the trust and are subject to the public contract law, public records law, public meetings law, code of ethics, and the bond validation procedures law of the state of Louisiana. All bond issues of public trusts are to be submitted to and approved by the Louisiana State Bond Commission prior to the issuance and delivery of these bonds. Each such bond issue shall be solely the obligation of the trust and not of the state of Louisiana or the beneficiary of the trust.

.02 Revenues include interest earned on loans, interest earned on investments, and fees charged the entities benefiting from the debt issuance. Operating expenses of the public trusts include administrative costs, interest, loan service fees, and mortgage loan insurance.

.03 The funds established by a public trust will depend on the requirements of the bond indentures under which bonds were issued. These indentures will normally specify the funds and accounts that are to be established, and, in most cases, the funds will be maintained by a bank serving in a trustee capacity for the public trust. The AICPA's *Audits of State and Local Governments*, Chapter 12 states, “Financing authorities generally meet the provisions in GASB Statement No. 34, paragraph 67, requiring reporting as an enterprise fund.”

.04 These public trusts are considered to be component units of the governing authority of the beneficiary of the trusts. These governing authorities must accept the beneficial interest in the trust. The trustees of the public trusts shall be members of the governing authority of the beneficiary or be appointed by the governing authority, except for public trusts that designate the state of Louisiana as the beneficiary of the trust. The trustees of these trusts shall be appointed by the governor and confirmed by the Louisiana Senate.

.05 Public trusts are subject to the oversight of the Legislative Auditor to the same extent as the governing authority of the beneficiary of the trust.

227 QUASI-PUBLIC AGENCIES

.01 Many public services within Louisiana are provided by quasi-public agencies. These organizations are not-for-profit (and some for-profit) corporations created specifically to assist government in providing public services. These not-for-profit agencies may be subject to state audit requirements if they meet the definition of 'quasi-public agency' found in the state audit law. The state audit law [R.S. 24:513 A.(1)(b)] defines a quasi-public agency as:

(i) An organization, either not-for-profit or for-profit, created by the state of Louisiana or any political subdivision or agency thereof, any special district or authority, or unit of local government to perform a public purpose.

(ii) An organization, either not-for-profit or for-profit, that is a component unit of a governmental reporting entity, as defined under generally accepted accounting principles.

(iii) An organization, either not-for-profit or for-profit, created to perform a public purpose and having one or more of the following characteristics: (aa) the governing body is elected by the general public; (bb) a majority of the governing body is appointed by or authorized to be appointed by a governmental entity or individual governmental official as a part of his official duties; (cc) the entity is the recipient of the proceeds of an ad valorem tax or general sales tax levied specifically for its operations; (dd) the entity is able to directly issue debt, the interest on which is exempt from federal taxation; or (ee) the entity can be dissolved unilaterally by a

governmental entity and its net assets assumed without compensation by that governmental entity.

(iv) Any not-for-profit organization that receives or expends any local and/or state assistance in any fiscal year. Assistance shall include grants, loans, transfers of property, awards, and direct appropriations of state or local public funds. Assistance shall not include guarantees, membership dues, vendor contracts for goods and services related to administrative support for a local or state assistance program, assistance to private or parochial schools, assistance to private colleges and universities, or benefits to individuals.

(v) Any organization, either not-for-profit or for profit, which is subject to the open meetings law and derives a portion of its income from payments received from any public agency or body.

An entity that meets this definition is treated much like a local auditee under the audit law (R.S. 24:513 and 24:514).

.02 Certain quasi-public agencies have specific reporting requirements, in addition to the requirements of Title 24. These include councils on aging, community action agencies, et cetera. Many state pass-through agencies include audit requirements within the contracts between the state agency and the quasi-public agency.

.03 Quasi-public agencies, as defined by the state audit law, are subject to the state audit law. Certain quasi-public agencies participating in federal programs may also have a federal audit requirement.

300. GOVERNMENTAL AUDITING

.01 State and local government and quasi-public agencies, as defined in Louisiana Revised Statute (R.S.) 24:513, are required to provide annual financial reports to the Legislative Auditor's office. The type of report the agency is required to provide is based on the amount of revenues and other sources of income the agency receives. The Louisiana Legislative Auditor is authorized to perform these engagements or to approve the services of certified public accountants (CPA) licensed to practice in the state of Louisiana to perform these engagements.

For the purposes of this document, the term "audit" means either an audit engagement performed in accordance with R.S. 24:513, or an examination performed in accordance with R.S. 24:513.

.02 State agencies included in Louisiana's Comprehensive Annual Financial Report (CAFR) are generally audited by the Legislative Auditor. However, at his discretion, the Legislative Auditor may contract with private CPA firms to perform engagements of state agencies when the Legislative Auditor does not have available resources to perform the engagement with his staff.

.03 Should the Legislative Auditor decide not to perform an audit of a CAFR agency, the Legislative Auditor may contract with an independent CPA to perform such an engagement. All engagement contracts of CAFR agencies are between the Legislative Auditor and the independent CPA. In connection with such engagements, the Legislative Auditor monitors the engagements and authorizes payment by the auditee to the CPA.

Information on the solicitation for proposal (SFP) process and current solicitations for state government audit contracts may be found on the Legislative Auditor's website, www.lla.la.gov. Firms interested in proposing on state engagements and participating in the Legislative Auditor's SFP process should contact Nancy Clement, Senior Analyst, Legislative Auditor, PO Box 94397, Baton Rouge, Louisiana 70804 or, by e-mail at nclement@lla.la.gov.

.04 Sheriffs, and the sheriff in his capacity as ex-officio parish tax collector, are audited annually. State law gives the sheriffs the discretion of being audited by the Legislative Auditor or a CPA; however, sheriffs are generally audited by CPAs.

.05 All other local government and quasi-public agencies are, generally, audited by CPAs, under the provisions of R. S. 24:513. These engagements are subject to oversight by the Legislative Auditor. The Legislative Auditor approves the engagements and receives copies of the completed report(s).

.06 Under limited conditions, the Legislative Auditor may be authorized to perform the audits of local auditees (as defined in R.S. 24:513). These conditions include:

- The local auditee has failed, after thirty days written notice from the Legislative Auditor, to comply with the provisions of this section relating to timely audits.
- The Legislative Audit Advisory Council (LAAC) and the Legislative Auditor have determined that the local auditee is unable to pay for an audit by a licensed CPA.
- The local auditee exhibits a record of egregious control deficiencies and failures to comply with laws and regulations.
- The Legislative Auditor has received complaints of illegal or irregular acts with respect to the local auditee.

- The local auditee, after requesting proposals for audit services, receives less than three proposals from licensed CPAs or the local auditee receives three or more proposals and the local auditee rejects all proposals for cause, including but not limited to excessive cost.

- In the opinion of the Legislative Auditor and the LAAC, the best interest of the state of Louisiana would be served by his audit of the local auditee.

311 LEGISLATIVE AUDITOR

.01 The following sections of the guide explain certain operations of the Legislative Auditor and the legal mandates under which the office operates.

.02 The Legislative Auditor is a constitutional and statutory organization established to audit state and local government. The Legislative Auditor is elected by a majority vote of the Louisiana Legislature and can only be removed by a two-thirds vote of that body.

312 ORGANIZATION

.01 The Louisiana Legislative Auditor is organized into various sections: administrative, financial audit, performance audit, compliance audit and advisory services, recovery assistance, local government services, information technology, and legal. The Legislative Auditor's office is located in Baton Rouge, Louisiana.

Legislative Auditor
Post Office Box 94397
Baton Rouge LA 70804-9397
Phone (225) 339-3800
Fax (225) 339-3870

.02 The Legislative Auditor provides technical support to state and local government and quasi-public agencies, and the CPAs performing audits, review/attestation, and compilation engagements of these agencies. Questions and other requests for support services should generally be directed to the Advisory Services Division. However, the agency or CPA may request assistance from the financial audit, compliance audit, or legal divisions.

Technical assistance may also be obtained from the Legislative Auditor's website at: www.lla.la.gov.

313 AUTHORITY

.01 The Legislative Auditor (as well as CPAs auditing state and local government and quasi-public agencies) has access to all papers, books, documents, films, tapes, and any other forms of recordation, including but not limited to computers and recording devices, in all offices in which he is authorized to audit. The Legislative Auditor has access to all computers and recording devices, all software and hardware that hold data, or is part of the technical process leading up to the retention of data or is part of the security system. The Legislative Auditor may have access to confidential information, including tax return information, but must hold such information as privileged or confidential information.

.02 The Legislative Auditor may call on any public official or employee for assistance and advice, and such assistance shall be given through the assignment of personnel or in such other manner as necessity requires. Reports of the Legislative Auditor, and those of the independent CPA auditing state and local government and quasi-public agencies, are public records upon issuance of the reports by the Legislative Auditor.

.03 Audit and engagement documentation of the Legislative Auditor is confidential. All external access requests for this documentation must be approved by an audit manager, a division director, the First Assistant Legislative Auditor, or the Legislative Auditor. A confidentiality agreement must be signed prior to access to these documents. Access to applicable audit and engagement documentation within any division of the Legislative Auditor's office is allowed for CPAs with approved engagement agreements with state or local government agencies and may be allowed on a case-by-case basis for other reasons. Once access is approved, there may be a reasonable charge for mailing audit and engagement documentation to an outlying area office and for any copies of this documentation.

.04 When audit or engagement documentation is the subject of criminal prosecution or litigation, the Legislative Auditor will request that a subpoena be issued for the documentation as a shield to further litigation.

314 PENALTIES

.01 Any public official who refuses to furnish the Legislative Auditor with books, accounts, et cetera, who refuses to transmit reports or other documents upon request, or who otherwise obstructs or impedes the Legislative Auditor's examination is subject to fines and imprisonment under R.S. 24:518.

315 SINGLE AUDIT OF LOUISIANA

.01 Under the provisions of R.S. Title 24, the Legislative Auditor is required to audit the financial statements of the state of Louisiana. This is accomplished through audits of individual state agencies and state-wide financial and compliance tests. The single audit of the state of Louisiana is a significant priority of the office.

316 LIAISON

.01 The Legislative Auditor works closely with many governmental associations and organizations interested in governmental accounting and auditing. These organizations include state and local associations, the intergovernmental audit forums, the Louisiana Board of Certified Public Accountants, the Government Finance Officers Association, the Association of Governmental Accountants, the Society of Louisiana Certified Public Accountants, the American Institute of Certified Public Accountants (AICPA), the National State Auditors Association, the National Association of State Auditors, Comptrollers and Treasurers, and the Governmental Accounting Standards Board (GASB).

317 SPECIAL EXAMINATIONS

.01 The Legislative Auditor performs any number of finance-related engagements that are not a full scope audit. These engagements may include limited procedures examinations to determine the resolution of certain audit comments, fraud and abuse audits, information systems audits, special compliance audits, or performance audits. The intent of these engagements is to build upon the work performed during the statutorily required audit, review/attestation, or compilation engagement, without duplication.

318 CPA AUDITS

.01 Audits, review/attestation and compilation engagements of local government and quasi-public agencies within Louisiana are performed by CPAs licensed to practice in Louisiana, provided the engagements are approved by the Legislative Auditor. The following paragraphs explain the framework by which those examinations are performed.

319 ENGAGEMENT FREQUENCY

.01 R.S. 24:513 requires state and local government and quasi-public agencies to report to the Legislative Auditor annually. The type of report that is required is based upon the amount of revenues and other sources of income received, as follows:

- Any local auditee that receives $50,000 or less in revenues and other sources in any one fiscal year shall not be required to have an audit, but must file a certification with the Legislative Auditor indicating that it received $50,000 or less in funds for the fiscal year. The auditee shall annually file with the Legislative Auditor sworn financial statements as required by R.S. 24:514. However, the Legislative Auditor, at his discretion, may require said local auditee to have an audit of its books and accounts.

- Notwithstanding the provisions of R.S. 24:514, any local auditee that receives more than $50,000 in revenues and other sources in any one fiscal year, but less than $200,000, shall cause to be conducted an annual compilation of its financial statements, with or without footnotes, in accordance with the Louisiana Governmental Audit Guide. However, the Legislative Auditor, at his discretion, may require said local auditee to have an audit of its books and accounts.

- Any local auditee that receives $200,000 or more in revenues and other sources in any one fiscal year, but less than $500,000, shall cause to be conducted an annual review of its financial statements to be accompanied by an attestation report in accordance with the Louisiana Governmental Audit Guide. However, the Legislative Auditor, at his discretion, may require said local auditee to have an audit of its books and accounts.

- Any local auditee that receives $500,000 or more in revenues and other sources in any one fiscal year shall be audited annually.

The reports of quasi-public agencies are only required to include all public funds, unless the public funds have been commingled with the private funds (e.g., donations) the agency receives. If public funds are commingled with private funds, all funds the quasi-public agency receives are considered public funds, and must be included in the report that is submitted to the Louisiana Legislative Auditor.

Justices of the peace (JP) and constables have been granted an exception to the above thresholds: JPs

and constables with revenues/expenses of $200,000 or less may provide a sworn financial statement in lieu of the above requirements. Those JPs and constables that receive more than $200,000 in revenues/expenditures must provide an annual compilation report to the Legislative Auditor's office. However, the Legislative Auditor, at his discretion, may require a JP or constable to provide for an audit or review/attestation of his/her financial statements.

.02 These requirements are considered the minimum reporting requirements under state law. An entity may elect a higher level of reporting than required by law, but may not elect a lower level of reporting. Furthermore, federal audit requirements, the requirements of bond indentures, and the provisions of certain contracts may establish reporting requirements that are at a higher level than is required by R.S. 24:513. The Legislative Auditor will honor the reporting requirement imposed on a state or local government or quasi-public agency by a grantor, bond indenture, or other outside party that is at a higher level than R.S. 24:513.

.03 The Legislative Auditor has the statutory authority to require a higher level of reporting responsibility of an agency than is required by law. This may occur when an agency has significant unresolved report findings or for other reasons, at the Legislative Auditor's discretion. If the Legislative Auditor determines that an agency must report at a higher level that is required by law, the Legislative Auditor notifies the agency in writing. When the Legislative Auditor has determined that the condition that caused him to require the agency to report at the higher level has been resolved, the Legislative Auditor will allow the agency to again report at the level commensurate with the amount of revenues and other sources that the agency receives.

.04 In certain instances, a governmental agency may have an audit requirement in the agency's enabling or other legislation. The Legislative Auditor's legal counsel has opined that the word "audit," within the revised statutes, means an examination as required by R.S. 24:513.

.05 Alumni associations, alumni foundations, and other private, alumni organizations that raise private funds for the support of public institutions of higher learning, and that receive more than $75,000 in funds in a fiscal year, and nonprofit corporations whose primary purpose is to finance the design, construction, renovation, or equipping of facilities to be leased to such public institutions of higher learning, shall be audited annually in accordance with generally accepted auditing standards by an independent professional auditor. Alumni associations, alumni foundations, and other private, alumni organizations that raise private funds for the support of a public institution of higher learning, and that receive $75,000 or less in funds in a fiscal year, are not required to have an audit, but shall provide the certification, sworn financial statements, and recitals required by R.S. 17:3390 (3) (a) and (b). These reports shall be furnished to the Legislative Auditor. With regard to an audit received by the Legislative Auditor from any of these organizations that are under the management of the Board of Supervisors of Community and Technical Colleges, the Legislative Auditor may recommend to the LAAC that an audit be conducted by the Legislative Auditor pursuant to and in the manner provided in R.S. 24:513. Upon such recommendation, the LAAC may direct that such an audit be conducted.

320 ENGAGEMENT AND REPORT ENFORCEMENT

.01 The Legislative Auditor enforces the state audit law as follows:

For agencies that receive more than $50,000 in revenues and other sources:

- 30 days before the close of the fiscal year the Legislative Auditor sends a reminder letter to all local government and quasi-public agencies that have not secured the services of a CPA firm to perform their statutorily required compilation, review/attestation, or audit engagement. For agencies that elect a higher level of reporting than required by law, the letter reminds the agency to engage that higher level of reporting.

- 30 days after the close of the agency's fiscal year, the Legislative Auditor sends a second reminder letter to all local government and quasi-public agencies that have not secured the services of a CPA firm to perform their statutorily required engagement.

- 60 days after the agency's fiscal year-end, the Legislative Auditor sends a third reminder letter to all local government and quasi-public agencies that have not secured the services of a CPA firm to perform their statutorily required engagement. This letter reminds the agencies that, since they have not submitted an engagement agreement, they are required by R.S. 24:514 to submit sworn annual financial statements to the Legislative Auditor within the next 30 days.

- 90 days after the agency's fiscal year-end, the Legislative Auditor sends a fourth reminder letter to all local government and quasi-public agencies that have not secured the services of a CPA firm to perform their statutorily required engagement. This letter reminds the agencies that, since they have not submitted an engagement agreement, they are required by R.S. 24:514 to submit sworn annual financial statements to the Legislative Auditor.

- After the due date of the report (six months after the agency's fiscal year-end), the Legislative Auditor sends a letter to all agencies that have not submitted their statutorily required report that the agency's name has been placed on the list of agencies that are not in compliance with the audit law on the Legislative Auditor's website. R.S. 39:72.1 prohibits the payment of funds appropriated in these acts to any agency that is not in compliance with R.S. 24:513. In addition, the district attorney is notified, and agency officials may be required to explain to the LAAC why they are not in compliance with the audit law.

For agencies that receive $50,000 or less in revenues and other sources:

- 30 days after the agency's fiscal year-end, the Legislative Auditor sends a letter to all agencies that have not submitted sworn annual financial statements and a revenue certification, reminding the agencies that their statements and certification are due within 60 days.

- After the due date of the report (90 days after the agency's fiscal year-end), the Legislative Auditor sends a letter to all agencies that have not submitted their statutorily required report that the agency's name has been placed on the list of agencies that are not in compliance with the audit law on the Legislative Auditor's website. R.S. 39:72.1 prohibits the payment of funds appropriated in these acts to any agency that is not in compliance with R.S. 24:513. In addition, the district attorney is notified, and agency officials may be required to explain to the LAAC why they are not in compliance with the audit law.

.02 Where the local government or quasi-public agency takes no action in response to these letters, the Legislative Auditor is authorized by statute to proceed with the engagement without further action. The agency is required to pay all costs related to such an engagement. Furthermore, these matters may be referred to the LAAC and the local district attorney. The agency's name remains on the late reports list on the Legislative Auditor's website until the report is received or an extension request is approved.

.03 An agency may request an extension of time in which to file their annual financial report through a form that is submitted online through the Legislative Auditor's website. A full explanation of the reason the report is delayed must accompany the request. The reasons for the extension request must be beyond the control of the agency and must be similar in nature and scope to the reasons stated on the form. Extension requests must include the date by which the agency expects to submit the report. Except in extraordinary circumstances, an extension should not be requested for greater than 90 days after the due date of the report.

The Legislative Auditor may approve an agency's extension request that is up to 90 days after the due date of the agency's report, subject to confirmation by the LAAC. Extension requests that are greater than ninety days after the due date of an agency's report must be approved by LAAC by a vote of two-thirds of

the members present at the meeting. Extension requests are reviewed by Legislative Auditor staff to determine whether they should be approved pending LAAC confirmation (90 days or less), or presented to LAAC for approval (greater than 90 days). Staff will take into consideration factors such as effort put forth by the agency to comply with their reporting requirement to the Legislative Auditor, and timeliness of past reports.

321 ENGAGEMENT APPROVAL - ROUTINE ENGAGEMENTS

.01 R.S. 24:513 requires the Legislative Auditor to approve the engagement of a CPA performing a compilation, review/attestation, or audit engagement of a local government or quasi-public agency prior to the start of the engagement. The Legislative Auditor does not approve engagements for the preparation of sworn annual financial statements to be submitted in lieu of an audit, performed to comply with R.S. 24:514 ($1-$50,000 revenues).

.02 For all compilation, review/attest, and audit engagements required by, and used to comply with, R.S. 24:513, the CPA and agency shall complete the online engagement approval form available on the Legislative Auditor's website (http://204.196.254.19/llaengagementapprval.nsf/engagementform1). The Legislative Auditor will confirm approval of the engagement through e-mail notification. Should the Legislative Auditor deny the engagement, he will provide the CPA and agency written reasons for the denial. Engagement approval forms are generally processed the day they are received. It is not necessary to send the Legislative Auditor a copy of the formal, written engagement agreement.

Submission of the engagement approval form is the joint responsibility of the CPA and the agency; failure to submit the engagement form for approval in a timely manner subjects the agency and the CPA to fines and other actions under state law. Furthermore, the Legislative Auditor may refuse to accept reports not subject to his approval and/or impose other penalties for failure to submit, in a timely manner, the engagement form for approval. Other penalties, including suspension or debarment, may be imposed on a CPA who habitually performs engagements prior to obtaining Legislative Auditor approval.

.03 By submitting the engagement approval form to the Legislative Auditor for approval, the CPA and agency are representing to the Legislative Auditor that a formal, written engagement agreement exists between the CPA and agency, conforming to the following provisions:

- The engagement agreement must be signed by an appropriate agency official and a representative of the CPA firm.

- The engagement scope of local government agencies must include all funds and accounts of the legal entity, including fiduciary funds and funds of affiliates and joint ventures (separately issued audits of affiliates and joint ventures will comply with this requirement). Private funds received by a quasi-public agency that are not commingled with public funds may be exempted from funds included within the scope of the engagement.

- The engagement agreement must specify that the audit will be performed in compliance with generally accepted governmental auditing standards (the *Government Auditing Standards*, issued by the Government Accountability Office) and, where applicable, OMB Circular A-133. (The agreement should refer to the single audit guidance and requirements or state that there are no federal funds.) Compilation and review/attestation engagements shall be performed under *Statements on Standards for Accounting and Review Services*, *Statements on Standards for Attestation Engagements*, and applicable provisions of *Government Auditing Standards*.

- The engagement agreement must specify that the Legislative Auditor shall be immediately informed in writing of any misappropriation of funds.

- The engagement agreement must specify that audit or engagement documentation of the CPA shall be available for inspection by the Legislative Auditor, any successor CPA, and/or any organization authorized by the Louisiana State Board of Certified Public Accountants to perform audit or engagement documentation reviews as part of a quality assurance program.

- The engagement agreement must name an individual of the CPA firm and a representative of the agency as contact persons to respond to inquiries concerning the engagement.

- The engagement agreement must state a completion date that is within six months of the close of the agency's fiscal year.

- The engagement agreement must state that the CPA will notify the Legislative Auditor in writing of any client-imposed scope restrictions, to include denial of access to appropriate books and records or failure to provide the books and records in a timely manner.

- The engagement agreement must specify that the Legislative Auditor will be notified in writing if the CPA decides to withdraw from the engagement or if the engagement is cancelled. The notification must include all substantive reasons for the withdrawal or cancellation.

- For governmental agencies, the engagement agreement must specify that, where applicable, there shall be a reporting, either by notes or separate schedule, of amounts paid members of the governing board for compensation or per diem. (If this clause is omitted, the agreement should state that no compensation or per diem has been paid.)

- The engagement agreement must state that the CPA or agency shall send a copy of the reporting package, and any management letter, to the agency, to the National Clearinghouse for Single Audits (for single audits only), and one single-sided, unbound copy to the Legislative Auditor. Alternatively, an electronic copy of the reporting package, and any management letter may be sent in .tif or .pdf format to ereports@lla.la.gov.

- The engagement agreement must specify that the agency or CPA shall send a copy of the reporting package, and any management letter, to each member of the governing board, to each federal grantor agency providing direct federal assistance for which there are findings and the federal cognizant agency, and to each state grantor agency and the state cognizant agency, if applicable.

- The engagement letter must specify that, subsequent to the issuance of the report, should it be necessary to alter or reissue the report(s) and any management letter, the reissued report(s) or management letter will be distributed in the same manner as the original report.

- The engagement agreement must specify that the audit or engagement documentation shall be retained by the CPA for a minimum of five years.

- The engagement agreement must specify the communications required by *Government Auditing Standards.*

- The compensation portion must include a not-to-exceed amount. Recommended language is: "Our fees for all services are related to our standard hourly rates in effect at the time services are performed. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your engagement. Our fee for this engagement, which we estimate, will not exceed $____, including out-of-pocket expenses. This fee is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both our firm and the agency. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation."

Sample engagement agreements are included in Appendix B, and may be found on the Legislative Auditor's website at www.lla.la.gov.

Although the Legislative Auditor requires that a formal, written engagement agreement exists between the CPA and the agency for routine engagements, he does not require that the formal, written engagement

agreement be submitted for approval of routine engagement agreements. Written engagement agreements submitted in lieu of the engagement approval form will be returned to the sender.

.04 The Legislative Auditor will not approve an engagement in which:

- The person performing the engagement is not a CPA licensed to practice in Louisiana and approved by the Legislative Auditor to perform these engagements.
- There is evidence that the engagement was completed, or that substantial portions of the field work were completed, prior to the submission of the engagement letter for approval.
- The CPA has several current, approved engagements that are delinquent or has a history of failing to complete engagements within the time-frame specified by law.
- The Legislative Auditor has been advised by the Louisiana State Board of CPAs that the CPA's license to practice in Louisiana has been suspended, revoked or is under investigation.
- The Legislative Auditor, as a result of his engagement review or another regulatory entity, has determined that the CPA has issued substandard reports on a Louisiana governmental unit or quasi-public agency without appropriate remedy.
- The CPA has failed to follow the state audit law, the provisions of this guide, or failed to comply with the terms of a current or prior engagement agreement.
- The Legislative Auditor has currently or previously supplied the CPA with allegations concerning an agency and has reason to believe that the firm has refused to determine the validity of the allegations, inadequately determined the validity of the allegations, or failed to properly report the results of the allegation determination.
- The CPA fails to provide the Legislative Auditor with copies of audit or engagement documentation, copies of any quality review, or any other information within five working days of the formal request.
- The CPA fails to cooperate with the LAAC or with a state or local law enforcement official duly charged to investigate and prosecute findings contained within reports.
- When, in the sole opinion of the Legislative Auditor, the CPA is not perceived to be independent.
- When prior engagement and/or other professional fees are owed by the agency to the CPA, are delinquent, have not been paid as of the date of the engagement letter, and it is reasonably possible that these amounts will not be paid as of the close of field work. This is because a CPA issuing an audit, review or attestation report on an agency's financial statements must be independent regarding the agency. If the CPA is a creditor of the agency, the CPA will not be considered to be independent of the agency.
- When the Legislative Auditor has suspended or debarred the CPA firm.
- When the CPA has failed to provide the estimated cost of the engagement on the engagement approval form. (The CPA will also be required to provide the actual cost of the engagement after it is completed.)
- When, at the discretion of the Legislative Auditor, it is in the best interest of the state of Louisiana and the engagement process not to approve the engagement.

.05 Governmental units and quasi-public agencies may contract for multiple years of services. The Legislative Auditor may conditionally approve such engagements. However, the Legislative Auditor

reserves the right to cancel his approval of any and all parts of the current year engagement and future year engagements.

.06 When there is a (proposed) change of CPA, the Legislative Auditor will contact the agency and prior CPA to determine the reasons and terms of the dismissal of the prior CPA firm. When the agency's prior report has significant findings and it is the Legislative Auditor's opinion that the public confidence in the pending engagement would be impacted by a change of CPA, he may refuse to approve the engagement agreement, and require that the prior CPA continues the engagement until such time as the report findings are cleared. The Legislative Auditor may also refuse to approve an engagement with a proposed change of CPA, if he determines that the prior CPA firm has not been paid in full for the prior engagement.

.07 There may be issues that arise in the engagement process which bring forth the perception of independence (or the best interest of the state). For example, differing factions within the government may make allegations that a CPA is not independent, or there may be factions within the government favoring different firms. When those issues arise and impact the perception of independence, the Legislative Auditor will take action to preserve the value of the audit and independence. Those actions may include appointment of the CPA, performing the audit with his staff, or such other actions as he deems necessary.

.08 It is the responsibility of the CPA to contact the Legislative Auditor to request any information relevant to the agency that the Legislative Auditor may have accumulated in the audit data file after the engagement agreement is approved for the engagement (an annual task for multi-year audits). In addition, the CPA is responsible for providing the appropriate engagement questionnaire (see Appendix A) to the agency.

322 ENGAGEMENT APPROVAL - NONROUTINE ENGAGEMENTS

.01 Examinations of an agency's books and records that are performed by CPAs and that are not statutorily required are called nonroutine engagements. These engagements are usually called agreed-upon procedures engagements because the agency and the CPA agree upon the procedures to be performed in advance of the engagement. Examples of agreed-upon procedures engagements include but are not limited to program audits, limited scope audits, performance or operational audits, fund audits, compliance audits, and internal control audits. If an agreed-upon procedure engagement is to be performed in accordance with *Government Auditing Standards, Standards for Accounting and Review Services, Standards for Attestation Engagements*, or OMB Circular A-133, and will conclude with the issuance of a report, the engagement must be approved by the Legislative Auditor prior to commencement.

.02 Nonroutine engagements differ from routine engagements in that the Legislative Auditor's office approves the engagement from the physical engagement agreement, not the e-mail engagement approval form. The CPA and agency have the joint responsibility to send one original copy of the written, formal engagement agreement to the Legislative Auditor for approval, prior to the commencement of the field work. After approval, a copy of the agreement is faxed to the CPA and the agency. Normally, there is a one-week return on these engagement agreements.

The e-mail engagement approval form may not be submitted for nonroutine engagements.

.03 The Legislative Auditor will not approve an agreement for a nonroutine engagement in which any of the conditions listed in 321.04 are present. Additionally, the written engagement agreement must contain all the criteria listed in 321.03 that are appropriate to the engagement. A nonroutine engagement agreement that does not meet these criteria will be returned to the CPA for revision before approval.

.04 Local government and quasi-public agencies may contract for agreed-upon procedures engagements for multiple years. The Legislative Auditor may conditionally approve such engagements. However, the Legislative Auditor reserves the right to cancel his approval of any and all parts of the current year engagement and future year engagements.

.05 If, based on the review of an agency's reports, the Legislative Auditor determines that the agency has not made significant progress in resolving its findings, the Legislative Auditor may require the agency to engage the same CPA firm who will be performing its statutorily required audit engagement, to perform certain additional procedures to test the agency's internal controls and compliance with laws and regulations and report on the results of these procedures. The agency and the CPA will be contacted by the Legislative Auditor if it is determined that this agreed-upon procedures engagement will be required. This engagement is processed in the same manner as other nonroutine engagements. The agreed-upon procedures report is due at the same time as, and will be issued with, the statutorily required audit report.

323 ENGAGEMENT COMPLETION

.01 Compilation, review/attestation, and audit engagements must be completed within six months of the close of the fiscal year. The requirement for the timely completion of the engagement makes engagement planning very important. When reports are issued after the six month statutory issue date, the Legislative Auditor requires the auditor to report, as a matter of noncompliance, the failure of the agency to comply with the state audit law, together with a full explanation of the events leading to the noncompliance (whether a part of a compilation, review/attestation, or audit report).

Sworn financial statements (including compilations submitted in lieu of sworn financial statements, for agencies receiving $1-$50,000 in revenues) must be completed within 90 days of the close of the fiscal year.

.02 Where there are indications that the agency is not making a concerted effort to comply with the timely completion requirements of law, the Legislative Auditor may present the matter to the LAAC, may present the matter to the district attorney, or may withdraw his approval of the engagement and perform the engagement with his staff. When a CPA firm is consistently unable to complete engagements within the previous time frames, the Legislative Auditor may refuse to approve any further engagements of the CPA, and may also refer the matter to the Louisiana State Board of Certified Public Accountants.

.03 State agency audits, contracted by the Legislative Auditor, often have completion dates much shorter than six months. The auditor should refer to the completion date included in the contract.

324 COMPILATIONS IN LIEU OF SWORN ANNUAL FINANCIAL STATEMENTS

.01 An agency that is required by R.S. 24:513 or 24:514 to provide for sworn annual financial statements may engage a CPA to provide a compilation report in lieu of the sworn annual financial statements. Compilations prepared by a CPA for a local government or quasi-public agency in lieu of statutorily required sworn financial statements must be performed in accordance with *Statements on Standards for Accounting and Review Services* (SSARS) and must otherwise conform to all other requirements of the audit law and the Louisiana Governmental Audit Guide. A compilation submitted in lieu of sworn financial statements must be submitted within 90 days of an agency's fiscal year. The CPA and agency are not required to seek Legislative Auditor approval prior to commencement of an engagement for a compilation performed in lieu of submitting sworn annual financial statements.

325 COMPILATION ENGAGEMENT SCOPE AND STANDARDS

.01 Compilation engagements performed by a CPA for a state or local government or quasi-public agency to comply with an agency's reporting requirements under R.S. 24:513 (agency receives $50,000 to $200,000 of public funds) are approved by the Legislative Auditor prior to commencement of the engagement.

.02 Compilation engagements must be performed in accordance with SSARS, relating to compilations, issued by the AICPA. SSARS recommends, but does not require, that compilation engagements be the subject of a written engagement agreement. However, the Legislative Auditor's office does require that a written engagement agreement be executed prior to the approval of a compilation engagement.

.03 The scope of the compilation of a government agency must include all funds and accounts and all offices, departments, agencies, or other units of the agency that collect or disburse funds. The compilation must cover funds held in a fiduciary capacity, funds held by an employee of the agency in the scope of his public employment, and all other public funds, whether donated, self-generated, et cetera. The compilation should encompass, at a minimum, a legal entity.

.04 The scope of a quasi-public agency's compilation must, at a minimum, include all public funds received by the agency. If private funds of a quasi-public agency are commingled with public funds, then the private funds are considered to be public funds, and must be included in the scope of the compilation engagement.

.05 Should the CPA become aware of significant violations of state and/or federal laws as a part of a compilation engagement or become aware of weaknesses in internal control material to the financial statements, he shall include the matters in a schedule of findings, to be included in the compilation report that is submitted to the Legislative Auditor's office. In addition, the report should include management's corrective action plan and schedule of the current status of any prior year findings. Should management fail to provide these items, the CPA should note management's failure to provide these items in the report.

.06 If, during the course of a compilation, the CPA should become aware of misappropriation of funds or criminal acts, he shall immediately notify, in writing, the Legislative Auditor.

.07 The CPA shall immediately notify the Legislative Auditor, in writing, of any scope restrictions, to include a delay in providing or a failure to provide adequate records and documentation to allow the compilation to proceed in a timely and orderly fashion. The CPA shall immediately notify the Legislative Auditor, in writing, should he decide to withdraw from the engagement.

.08 Compilation reporting packages shall include a data collection form, which is prescribed by the Legislative Auditor; one single-sided, unbound copy of the report, which shall include the accountant's compilation report; the compiled financial statements; and, when applicable, a schedule of prior year findings prepared by management and a schedule of current year findings (although not the focus of the engagement agreement), as well as management's corrective action plan. Alternatively, a copy of the report in .tif or .pdf format may be submitted to ereports@lla.la.gov.

326 REVIEW/ATTESTATION ENGAGEMENT SCOPE AND STANDARDS

.01 Review/attestation engagements performed by a CPA for a state or local government or quasi-public agency in order to comply with an agency's reporting requirement under R.S. 24:513 (agency receives $200,000 to $500,000 in public funds) are approved by the Legislative Auditor prior to commencement of the engagement.

.02 The review portion of the engagement shall be performed in accordance with *Statements on Standards for Accounting and Review Services* and applicable provisions of *Government Auditing Standards*; the attestation portion of the engagement shall be performed in accordance with *Statements on Standards for Attestation Engagements* and applicable provisions of *Government Auditing Standards*. These standards recommend, but do not require, that review/attestation engagements be the subject of a written engagement agreement. However, the Louisiana Legislative Auditor does require that a written engagement agreement be executed prior to the approval of a review/attestation engagement.

The attestation portion of the engagement tests agency's representations provided to the CPA in the applicable Louisiana Attestation Questionnaires contained in Appendix A of this guide. These questionnaires are provided to management of the agency at the time the engagement agreement is approved by the Legislative Auditor. Management is to complete the questionnaire and present it to the CPA at the commencement of the engagement. The responses contained in the questionnaire should be reviewed by the governing body, if any, and approved in an open meeting. The representations contained in the questionnaire are the basis of the attestation engagement and report. Use of the questionnaire is mandated by this guide, and should be made a part of the CPA's engagement documentation.

.03 In performing an attestation engagement under this section, the CPA shall obtain an understanding of the requirements specified in management's assertions in the questionnaire about compliance and assess management's understanding of those requirements. The CPA should consider the following:

- Laws and interpretations relating to the compliance elements specified in the Louisiana Attestation Questionnaires.

- Knowledge about the compliance elements specified in the Louisiana Attestation Questionnaires obtained from prior engagements and regulatory reports.

- Knowledge about the elements specified in the Louisiana Attestation Questionnaires obtained through discussions with appropriate individuals within the agency (for example, the chief financial officer, the chief executive officer, and/or the president of any governing body).

- Knowledge about the compliance elements specified in the Louisiana Attestation Questionnaires obtained through discussions with appropriate individuals outside the agency (for example, legal counsel, Legislative Auditor).

Normally, in a first year engagement this will require the CPA to read the compliance requirements specified in the questionnaire and review those laws and regulations with management. In each subsequent examination, the CPA will assess changes in such laws and regulations and the need for further discussions with management.

The specific agreed-upon procedures to be performed for state and local government agencies, quasi-public agencies, and charter schools may be found in Appendix B of this audit guide. Sample agreed-upon procedures reports may be found in Appendix C of this audit guide.

.04 The scope of the review/attestion engagement for governmental agencies must include all funds and accounts and all offices, departments, agencies, or other units of the entity that collect or disburse funds. The engagement must cover funds held in a fiduciary capacity, funds held by an employee of the entity in the scope of his public employment, and all other public funds, whether donated, self-generated, et cetera. The engagement should encompass, at a minimum, a legal entity.

.05 The scope of a quasi-public agency's review/attestation engagement must, at a minimum, include all public funds received by the agency. If private funds of a quasi-public agency are commingled with public funds, then the private funds are considered to be public funds, and must be included in the scope of the review/attestation engagement.

.06 Should the CPA become aware of significant violations of local, state and/or federal laws as a part of a review/attestation engagement, he or she shall include such matters in the agreed-upon procedures report or schedule of findings. Also, if in connection with the application of agreed-upon procedures matters come to the CPA's attention by other means that significantly contradict the assertions referred to in the practitioner's report, the CPA should include this matter is his or her report. Specifically, the CPA shall report any failure on the part of the agency to complete the engagement within six months of the close of the fiscal year.

.07 If, during the course of a review/attestation engagement, the CPA should become aware of fraud or misappropriation of funds, he shall immediately notify, in writing, the Legislative Auditor.

.08 The CPA shall immediately notify the Legislative Auditor, in writing, of any scope restrictions, to include a delay or failure to provide adequate records and documentation to allow the review/attestation to proceed in a timely and orderly fashion.

.09 The independence standards of *Government Auditing Standards* state that a CPA whose compilation procedures extend to creating accounting records may have impaired independence. The CPA should refer to the independence standards for guidance.

.10 Review/attestation reporting packages shall include a data collection form, which is prescribed by the Legislative Auditor; one single-sided, unbound copy of the report, which shall include the independent accountant's review report; the reviewed financial statements; the independent accountant's attestation report, and, when applicable, a schedule of prior year findings prepared by management and a schedule of current year findings (although not the focus of the engagement agreement), as well as management's corrective action plan. Alternatively, a copy of the report in .tif or .pdf format may be submitted to ereports@lla.la.gov.

327 AUDIT ENGAGEMENT SCOPE AND STANDARDS

.01 Audit engagements performed by a CPA for a local government or quasi-public agency in order to comply with an agency's reporting requirement under R.S. 24:513 (agency receives $500,000 or more in public funds) are approved by the Legislative Auditor prior to commencement of the engagement. Audit engagements must be the subject of a formal engagement agreement.

.02 The scope of local government audits must include all funds and accounts and all offices, departments, agencies, or other units of the entity that collect or disburse funds. The audit must cover funds held in a fiduciary capacity, funds held by an employee of the entity in the scope of his public employment, and all other public funds, whether donated, self-generated, et cetera. The audit should encompass, at a minimum, a legal entity. The scope of a quasi-public agency's audit engagement must, at a minimum, include all public funds received by the agency. If private funds of a quasi-public agency are commingled with public funds, then the private funds are considered to be public funds, and must be included in the scope of the audit engagement.

.03 Special audits (grant or program audits) may be prepared on a component, a department or function, a grant, et cetera, if deemed necessary by the governing body and if approved by the Legislative Auditor. The engagement agreement (or transmittal letter) must set forth in detail the reasons for such a special examination and must be approved by the Legislative Auditor.

.04 Audits performed to satisfy an agency's reporting requirement under R.S. 24:513 shall be financial audits performed in accordance with *Government Auditing Standards*, issued by the United States Government Accountability Office (GAO); this guide; and such other authoritative guidance that may be applicable in the circumstances. The GAO audit standards are an expansion of the AICPA audit standards. They require each firm performing governmental audits to have a system of quality control, to include periodic external peer reviews, and require each staff member performing substantial parts of a governmental audit to maintain continuing professional education in government and governmental accounting and auditing.

Continuing Education Programs The audit organization must have a program to ensure that its staff maintains professional competence through continuing professional education (CPE) and training. To satisfy this requirement, each auditor performing work under generally accepted government auditing standards (GAGAS) should complete, every two years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. For auditors who are involved in any amount of planning, directing, or reporting on GAGAS assignments and those auditors who are not involved in those activities but charge 20 percent or more of their time annually to GAGAS assignments should also obtain at least an additional 56 hours of CPE (for a total of 80 hours of CPE in every two-year period) that enhances the auditor's professional proficiency to perform audits or attestation engagements. Auditors required to take the total 80 hours of CPE should complete at least 20 hours of CPE in each year of the two-year period.

Quality Control Review Audit organizations performing audits and attestation engagements in accordance with GAGAS must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every three years. The external peer review must be sufficient in scope to provide reasonable basis for determining whether, for the period under review (generally one year), the reviewed audit organization's system of quality control was suitably designed, and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards. A copy of the external quality control review should be given to the agency being audited.

.05 Each audit report will express an opinion, or disclaim an opinion, as to the fair presentation of the financial statements included in the report. Each audit will include an assessment of the agency's internal control. Each audit will include an inquiry into the manner in which the audited agency has complied with state laws, federal laws and regulations, local regulations, and contractual restrictions material to the financial statements.

.06 The audit report shall, at a minimum, include the basic financial statements. The audit shall include the special assurances required by bond indentures, contractual agreements, state law, federal regulations, et cetera.

.07 Any state or local government or quasi-public agency that receives $500,000 or more of federal awards each year must receive an audit in accordance with the Single Audit Act.

.08 The Louisiana Compliance Questionnaires, found in Appendix A of this guide, are a required part of any audit of any agency receiving state or local government funds. The questionnaire is provided to management of the auditee at the time the engagement agreement is approved by the Legislative Auditor. Management is to complete the questionnaire and present it to the auditor at the commencement of the audit. The responses contained in the questionnaire should be reviewed by the governing body, if any, and approved in an open meeting. In addition to being a representation of management as to laws material to the agency and the agency's compliance with such matters, it is a guide for the auditor in determining audit tests designed to assure compliance with state laws and regulations. Use of the questionnaire is mandated by this guide, and should be made a part of the audit documentation.

.09 The CPA shall immediately notify the Legislative Auditor, in writing, of any fraud or misappropriation of funds.

.10 If the agency fails to provide any of the books and records necessary to perform the engagement in a timely manner, the auditor should immediately notify the Legislative Auditor in writing. The Legislative Auditor will initiate correspondence or other activities to ensure the timely production of such books and records. In order to ensure the timely issuance of the audit, the auditor must determine the availability of the records, and completeness, immediately after the close of the fiscal period.

.11 The Legislative Auditor may receive allegations and other information from anonymous sources, citizens, legislators, the press, et cetera. Legislative Auditor staff reviews each allegation to determine the best manner in which to resolve it. If Legislative Auditor staff determines that the most appropriate resolution for the allegation is to have the CPA address it during the course of his or her audit or review/attestation examination, the Legislative Auditor will forward the allegation to the CPA.

The CPA is asked to respond to the Legislative Auditor that he/she will, during the planning and performance of his/her engagement, in accordance with AU 240, *Government Auditing Standards*, and the Louisiana Governmental Audit Guide:

- review the allegation in order to identify risks that may result in a material misstatement due to fraud;
- assess the identified risks after taking into account an evaluation of the entity's programs and controls;
- respond to the results of the assessment; and
- document his/her consideration of this information as it relates to risks that may result in a material misstatement due to fraud.

If during the performance of these procedures nothing comes to the CPA's attention to indicate that the allegation has merit, no further notification to the Louisiana Legislative Auditor is required.

If during the performance of these procedures, the CPA determines that the allegation has or may have merit, but the effect is clearly inconsequential to the financial statements as a whole, the CPA is asked to notify the Louisiana Legislative Auditor.

If during the course of the CPA's examination he/she determines that the allegation has or may have merit and its effect is not clearly inconsequential to the financial statements as a whole, or the CPA discovers or

otherwise becomes aware of any other misappropriation of funds, the CPA is asked to notify the Louisiana Legislative Auditor immediately.

Allegations are considered confidential information and the CPA is expected to hold the information confidential; however, the nature of the auditor's work or direct questions by the auditor may disclose the nature of the allegation to the agency. If this occurs the auditor may disclose the general nature of the allegation. However, the name of the person who made the allegation is never disclosed, if the name of the person making the allegation is provided to the CPA. Please refer to Section 350.02 of this guide for the Legislative Auditor's policy regarding the confidentiality of audit/engagement documentation.

.12 Audit report packages shall include a data collection form, which is prescribed by the Legislative Auditor; one single-sided, unbound copy of the report, which shall include the *Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards* and (if applicable) the *Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; And Report On The Schedule Of Expenditures Of Federal Awards Required By OMB Circular A-133.* Also when applicable, the report package shall include the schedule of current year findings (prepared by the auditor) and the schedule of prior year findings (prepared by management), and the management letter (prepared by the auditor); and management's plan of corrective action for all report findings and management letter comments. Alternatively, a copy of the report in .tif or .pdf format may be submitted to ereports@lla.la.gov.

328 INDEPENDENCE

.01 In making determinations on independence regarding engagements performed in accordance with *Government Auditing Standards*, the auditor should refer to Chapter 3 of *Government Auditing Standards* (available at www.gao.gov).

.02 Our profession and the Legislative Auditor encourages auditors to be active in promoting good government. While continuing that encouragement, the Legislative Auditor has set out the following guidance when perception has impaired an auditor's independence:

1. The auditor is an officer or official of an election campaign of an elected (auditee) official or those seeking election, or agency employees;

2. The auditor has provided free services to board members or employees of the audited entity (even reduced price services may create a perception of independence problem, unless the price reduction is simply a marketing effort provided all customers); or

3. The auditor is identified in the press, or through other sources, as a major supporter of a board member or appointed official of the agency.

329 SCHOOL BOARD PERFORMANCE MEASURES

.01 Under state law, school boards must report their performance as part of the annual financial statements and annual statistical report to the Louisiana Department of Education. This performance data is reported within:

- Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

- Schedule 2 - Education Levels of Public School Staff This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D or Ed. D. Degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

- Schedule 3 - Number and Type of Public Schools This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the AFSR.

- Schedule 4 - Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers This schedule includes the number of years of experience in teaching for assistant principals, principals, and full time classroom teachers. This data is currently reported to the Legislature in the AFSR.

- Schedule 5 - Public School Staff Data: Average Salaries This schedule includes average classroom teachers' salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the AFSR.

- Schedule 6 - Class Size Characteristics This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report.

- Schedule 7 - Louisiana Educational Assessment Program (LEAP) This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

- Schedule 8 - Graduation Exit Examination (GEE) This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data. (Note: The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.)

- Schedule 9 - iLEAP Tests This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

.02 The auditor is required to apply agreed-upon procedures to these supplemental schedules as part of the annual audit of the school board. These agreed-upon procedures include:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)
Select a random sample of 25 transactions and review supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:

- Total General Fund Instructional Expenditures,

- Total General Fund Equipment Expenditures,

- Total Local Taxation Revenue,

- Total Local Earnings on Investment in Real Property,

- Total State Revenue in Lieu of Taxes,
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue.

Education Levels of Public School Staff (Schedule 2) Reconcile the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of the October 1st.

Reconcile the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

Obtain a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule, trace a random sample of 25 teachers to the individual's personnel file, and determine if the individual's education level is properly classified on the schedule.

Number and Type of Public Schools (Schedule 3) Obtain a list of schools by type as reported on the schedule and compare the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4) Obtain a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule and trace the same sample used in the procedure above to the individual's personnel file and determined if the individual's experience is properly classified on the schedule.

Public School Staff Data: Average Salaries (Schedule 5) Obtain a list of all classroom teachers, including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and trace a random sample of 25 teachers to the individual's personnel file and determine if the individual's salary, extra compensation, and full-time equivalents are properly included on the schedule.

Recalculate the average salaries and full-time equivalents reported in the schedule.

Class Size Characteristics (Schedule 6) Obtain a list of classes by school, school type, and class size as reported on the schedule and reconcile school type classifications to Schedule 3 data. Trace a random sample of 10 classes to the October 1st roll books for those classes and determine if the class is properly classified on the schedule.

Louisiana Educational Assessment Program (LEAP) (Schedule 7) Obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported in the schedule by the school board.

Graduation Exit Examination (GEE) (Schedule 8) Obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported in the schedule by the school board. (Note: The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.)

iLEAP Tests (Schedule 9) Obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported in the schedule by the school board.

.03 The auditor will include any differences, variances, or appropriate comments as part of his agreed-upon procedures report. The agreed-upon procedures report will be bound and distributed as a part of the school board's audited financial statements.

330 SPECIAL/GRANT AUDITS

.01 Generally, the Legislative Auditor will not approve an engagement to audit a grant, department, program, or part of an auditee that is less than a legal entity. This position encourages application of the Single Audit Act, encourages agency-wide audits, and avoids grant-by-grant or program-by-program audits.

.02 However, there may be conditions caused by differences in the state audit law and federal audit requirements that would support an audit of less than the entire legal entity. The Legislative Auditor will consider those requests based on the merits of the requests. The engagement agreement or the transmittal letter for such agreements should fully describe the conditions that make such special examinations necessary. The Louisiana Compliance Questionnaire and audit data are not distributed for special or program audits; however, this does not reduce the need to assess the risk that state and/or federal laws and regulations may have been violated or request appropriate representations from management.

331 COGNIZANT, OVERSIGHT, AND PASS-THROUGH AGENCIES

.01 Agencies expending more than $50 million a year in federal awards will have a cognizant (federal) agency for audit. The designated cognizant agency for audit will be the federal awarding agency that provides the predominant amount of direct funding to a recipient unless OMB makes a specific cognizant agency for audit assignment. To provide for continuity of cognizance, the determination of the predominant amount of direct funding will be based upon direct federal awards expended in the recipient's fiscal years ending in 2004, 2009, 2014, and every fifth year thereafter. For example, audit cognizance for periods ending in 2006 through 2010 will be determined based on federal awards expended in 2004. A federal awarding agency with cognizance for an auditee may reassign cognizance to another federal awarding agency that provides substantial direct funding and agrees to be the cognizant agency for audit. Within 30 days after any reassignment, both the old and the new cognizant agency for audit must notify the auditee, and, if known, the auditor of the reassignment.

.02 The cognizant (federal) agency for audit will:

(a) Provide technical audit advice and liaison to auditees and auditors.

(b) Consider auditee requests for extensions to the report submission. The cognizant agency for audit may grant extensions for good cause. (Federal law requires completion of a Single Audit within nine months after an agency's fiscal year; however, state law requires audits to be completed within six months of fiscal year close. Any agency required to provide for a Single Audit must submit its Single Audit with its annual financial report to the Louisiana Legislative Auditor within six months of its fiscal year end).

(c) Obtain or conduct quality control reviews of selected audits made by non-federal auditors and provide the results, when appropriate, to other interested organizations.

(d) Promptly inform other affected federal agencies and appropriate federal law enforcement officials of any direct reporting by the auditee or its auditor of irregularities or illegal acts as required by GAGAS or laws and regulations.

(e) Advise the auditor and, where appropriate, the auditee of any deficiencies found in the audits when the deficiencies require corrective action by the auditor. When advised of deficiencies, the auditee must work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency for audit must notify the auditor, the auditee, and applicable federal awarding agencies and pass-through agencies of the facts and make recommendations for follow-up action. Major inadequacies or repetitive substandard performance by auditors will be referred to appropriate state licensing agencies and professional bodies for disciplinary action.

(f) Coordinate, to the extent practical, audits or reviews made by or for federal agencies that are in addition to the audits made pursuant to this part, so that the additional audits or reviews build upon audits performed in accordance with this part.

(g) Coordinate a management decision for audit findings that affect the federal programs of more than one agency.

(h) Coordinate the audit work and reporting responsibilities among auditors to achieve the most cost-effective audit.

(i) Consider auditee requests to qualify as a low-risk auditee.

.03 An auditee that does not have a designated cognizant agency for audit will be under the general oversight of the federal awarding agency that provides the predominant amount of direct funding to a recipient. When there is no direct funding, the federal agency with the predominant indirect funding shall assume the oversight responsibilities. The oversight agency for audit:

- Shall provide technical advice to auditees and auditors as requested.
- May assume all or some of the responsibilities normally performed by a cognizant agency for audit.

.04 Federal awarding agencies must perform the following with respect to direct federal assistance:

(1) Identify federal awards made by informing each recipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, award year, and if the award is for Research and Development (R&D). When some of this information is not available, the federal agency must provide information necessary to clearly describe the federal award.

(2) Advise recipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements.

(3) Ensure that audits are completed and reports are received in a timely manner.

(4) Provide technical advice and counsel to auditees and auditors as requested.

(5) Issue a management decision on audit findings within six months after receipt of the audit report and ensure that the recipient takes appropriate and timely corrective action.

(6) Assign a person responsible for providing annual updates of the compliance supplement to OMB.

.05 A pass-through agency shall perform the following for the federal awards it makes:

(1) Identify federal awards made by informing each subrecipient of CDFA title and number, award name and number, award year, if the award is R&D, and name of federal agency. When some of this

information is not available, the pass-through entity shall provide the best information available to describe the federal award.

(2) Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

(3) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

(4) Ensure that subrecipients expending $500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

(5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

(6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

(7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

.06 Effective with audits for fiscal years beginning after June 30, 2000, the US Department of Health and Human Services will be the cognizant federal agency for Louisiana state government. The US Department of Education will remain the federal cognizant agency for Louisiana school boards. Federal cognizant agencies or federal oversight agencies for parish governing authorities, community action agencies, and councils and area agencies on aging will be determined based on the amount of direct or indirect federal funding in accordance with the requirements of OMB Circular A-133.

332 AUTHORITATIVE GUIDANCE

.01 CPAs shall use the publications contained in Appendix E, to the extent applicable, in performing the audit, review/attestation, and compilation engagements of state and local government and quasi-public agencies in Louisiana.

333 FRAUD AND ABUSE

.01 Auditors shall be guided by the provisions of the AICPA professional standards (specifically AU 935 and AU 240) and Chapter 4, 5 and 6 of the *Government Auditing Standards* relating to fraud, waste, and abuse. Auditors should plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. The auditor should also be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements. The Legislative Auditor shall be immediately notified in writing of any fraud, abuse, or misappropriation of funds. The Legislative Auditor shall be notified of any extended audit steps required under governmental auditing standards or considered professionally appropriate in the circumstances but to which the governmental unit will not agree. Furthermore, the Legislative Auditor may require certain procedures to be performed during the engagement and may require approval of the audit program. Governmental auditing standards require the auditor to report, as a part of his compliance report, all fraud and illegal acts, unless inconsequential.

.02 With respect to review/attestation engagements, the auditor will comply with the provisions of *Statements on Standards for Attestation Engagements* and applicable provisions of *Government Auditing Standards*, and issue reports required by such standards. However, should the CPA become aware of fraud, abuse or illegal acts, the CPA will include those matters in his/her report, even if these acts are not the subject of the agreed-upon procedures. The Legislative Auditor shall be notified of any extended procedures to which in the CPA's judgment are considered professionally appropriate but to which the agency will not agree. Furthermore, the Legislative Auditor may require certain procedures to be performed during the engagement and may require approval of an expansion of the engagement scope.

.03 The Legislative Auditor may receive allegations and other information from anonymous sources, citizens, legislators, the press, et cetera. Legislative Auditor staff reviews each allegation to determine the best manner in which to resolve it. If Legislative Auditor staff determines that the most appropriate resolution for the allegation is to have the CPA address it during the course of his or her audit or review/attestation examination, the Legislative Auditor will forward the allegation to the CPA.

The CPA is asked to respond to the Legislative Auditor that he/she will, during the planning and performance of his/her engagement, in accordance with *Government Auditing Standards* and the Louisiana Governmental Audit Guide:

- review the allegation in order to determine whether it indicates conditions that may result in a material misstatement of the financial statements due to fraud and
- document his/her consideration of this information.

If during the performance of these procedures nothing comes to the CPA’s attention to indicate that the allegation has merit, no further notification to the Louisiana Legislative Auditor is required of the CPA.

If during the performance of these procedures the CPA determines that the allegation has merit, but the effect is clearly inconsequential to the financial statements as a whole, the CPA is asked to notify the Louisiana Legislative Auditor.

If during the course of the CPA’s examination he/she determines that the allegation may have merit and its effect is not clearly inconsequential to the financial statements as a whole, or the CPA discovers or

otherwise becomes aware of any other misappropriation of funds, the CPA is asked to notify the Legislative Auditor's office immediately.

Allegations are considered confidential information and the CPA is expected to hold the information confidential; however, the nature of the auditor's work or direct questions by the auditor may disclose the nature of the allegation to the agency. If this occurs the auditor may disclose the general nature of the allegation. However, the name of the person who made the allegation is never disclosed, if the name of the person making the allegation is provided to the CPA.

.04 State law (R.S. 24:523) requires state and local government and quasi-public agencies to immediately report, in writing, to the Legislative Auditor and district attorney any misappropriation of public funds or resources. Upon receipt of this notification, the Legislative Auditor will forward the information to the CPA (in many cases the agency copies the CPA with the notification). In certain cases, the Legislative Auditor may ask the CPA to provide written confirmation that he has reviewed and reported on the matter. In other instances, knowing that the CPA is already involved in the investigation of the misappropriation, the Legislative Auditor does not require a written confirmation from the auditor. All misappropriations of public funds are expected to be reported in the agency's annual financial report.

334 ENGAGEMENT DELAYS

.01 Audit, review/attestation and compilation engagements are required by law to be completed and transmitted to the Legislative Auditor within six months of the close of the agency's fiscal year. Sworn financial statements and compilations submitted in lieu of sworn financial statements must be submitted to the Legislative Auditor within 90 days of the close of the agency's fiscal year. Because of this requirement, agencies (and the CPA) are required to plan the engagements sufficiently early to meet the engagement completion date. Should the CPA be unable to complete the engagement within six months of the close of the fiscal year, he shall immediately notify the Legislative Auditor in writing, with all substantive reasons for the delay and provide an estimate of the revised completion date. The CPA shall also report the matter as an instance of noncompliance and include appropriate explanation of the events causing the noncompliance. The Legislative Auditor reserves the right to cancel the engagement and to refuse to approve future engagements for CPAs that have a history of failing to complete engagements in a timely manner.

.02 The auditor or agency shall submit either a paper or electronic copy of the report immediately upon completion of the engagement. It is customary to hold an exit conference with the agency at which time a draft of the report is reviewed with management. However, the report shall not be held for submission to the Louisiana Legislative Auditor until accepted by the agency, or for presentation to the governing board. Failure to comply with these provisions may result in the Legislative Auditor's refusal to approve the CPA's future engagement agreements.

.03 Periodically, an engagement will be delayed because of a failure on the part of the agency, or agents of the agency (i.e., legal counsel), to provide information in a timely fashion. The CPA should determine immediately after the close of the fiscal year whether or not appropriate engagement documentation is available and complete. When those documents are incomplete, the CPA should provide the agency with a reasonable period of time to provide such support and information; at the same time, the CPA shall notify the Legislative Auditor of the scope restriction. Should the agency fail to provide such information within a timely fashion, the CPA shall issue his report, with appropriate modifications, within the time frames specified in the engagement agreement and state law. Under no conditions, shall the CPA withhold the release of the report for an unreasonable length of time because of a failure of management to provide the CPA with records or otherwise comply with the law regarding the engagement.

.04 At times, the engagements are impacted by contingencies. For example, an agency's expenditure of grant funds may be subject to audit or review by other state or federal regulatory agencies. Another example is contingencies resulting from litigation, in which the CPA desires representation from the agency's legal counsel. The CPA should provide those involved with a reasonable period of time to

provide such support and information necessary to comply with professional standards. Should those individuals fail to provide such information within a timely fashion, the CPA shall issue his report, with appropriate modifications, within the time frames specified by law.

335 REPORT REVIEW

.01 Legislative Auditor staff performs a limited review of all completed reports received to determine whether the report complies with basic provisions the applicable standards. Where the review indicates deficiencies in the report, the report is returned to the CPA with a request for remedial action. When remedial action is not taken by the agency and/or the CPA within 10 working days, the report may be rejected, or the matter may be referred to the LAAC or the Louisiana State Board of Certified Public Accountants. Repeated failure of a CPA to remedy identified deficiencies in reports in a timely manner may cause the Legislative Auditor to refuse to approve further engagement agreements for the firm. The Legislative Auditor may also cancel the CPA's other existing engagements.

336 REPORT RELEASE

.01 After the report is reviewed, it is issued by the Legislative Auditor's office. The report becomes a public record three days after the issue date. The report is also filed with the office of the clerk of court in the parish in which the agency is domiciled, and is available for public inspection. The reports of agencies in East Baton Rouge Parish and Orleans Parish are considered to be filed with the clerk's office through physical depository in the Legislative Auditor's Baton Rouge office. All reports issued by the Legislative Auditor's office are available for inspection on the Legislative Auditor's website at www.lla.la.gov.

.02 A transmittal letter should accompany the completed report in order to facilitate processing. The transmittal letter should identify the distribution of the reports made by the CPA. Unless included on the data collection form, the transmittal letter should also indicate whether a management letter has been issued in connection with the audit. Any management letter must be transmitted with the audit report to the Legislative Auditor. All of these report documents may be submitted in hard copy form or as a .pdf file or .tif file to the Legislative Auditor at: ereports@lla.la.gov. The data collection form, transmittal letter, and any other correspondence should be included in a separate .pdf or .tif file from the report within the email.

.03 Unless detailed on the data collection form, the transmittal letter should state the component units included within the reporting entity.

337 REISSUED REPORTS

.01 Should the agency or CPA decide it necessary to alter or reissue a previous report or management letter, the reissued report or management letter must be distributed in the same manner, and to the same individuals and organizations, as the original report. The Legislative Auditor shall be immediately advised in writing of the re-issuance and of the reasons requiring such action and shall be supplied copies of the reissued report(s). A letter from either the CPA or agency stating the reason that the report is being reissued must accompany the report that is submitted. This letter will be issued with the reissued report.

338 AUDIT ENGAGEMENT REPORTING PACKAGE

.01 The reporting package for each audit engagement will include one copy of the data collection form, prescribed by the Legislative Auditor, and the following:

(A) An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in conformity with accounting principles generally accepted in the United States and, when applicable, an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.

(B) A report on internal control and compliance related to the financial statements, required by *Government Auditing Standards*. This report shall describe the scope of testing of internal controls and compliance, the results of the tests, and, where applicable, refer to the separate schedule of findings and questioned costs. All significant deficiencies and material weaknesses related to internal control over financial reporting should be reported. The state laws and regulations tested in this report shall include all of the compliance matters included in the Louisiana Compliance Questionnaires of Appendix A .

(C) When required by OMB Circular A-133, a report on internal control and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on major federal programs. The report should include an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program, and, where applicable, refer to the separate schedule of findings and questioned costs. The report should refer to all significant deficiencies and material weaknesses related to internal control over compliance.

(D) A summary schedule of findings and questioned costs.

(E) Any management letter issued.

(F) Summary schedule of prior year findings (prepared by management).

(G) Management's corrective action plan for current year findings and management letter comments (prepared by management).

.02 A schedule of findings and questioned costs shall include the following three components:

(1) A summary of the auditor's results shall include:

(i) The type of report the auditor issued on the financial statements of the auditee (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);

(ii) Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements, and whether any such conditions were material weaknesses;

(iii) A statement as to whether the audit disclosed any noncompliance that is material to the financial statements of the auditee;

(iv) Where applicable, a statement that significant deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses, as required by OMB Circular A-133;

(v) When subject to OMB Circular A-133, the type of report the auditor issued on compliance for major programs (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);

(vi) When applicable, a statement as to whether the audit disclosed any audit findings required to be disclosed under OMB Circular A-133;

(vii) A statement whether or not a management letter was issued;

(viii) When applicable, an identification of major programs required under OMB A-133;

(ix) When applicable, the dollar threshold used to distinguish between Type A and Type B programs, under OMB Circular A-133; and

(x) When applicable, a statement as to whether the auditee qualified as a low-risk auditee under OMB Circular A-133.

(2) Findings relating to the financial statements which are required to be reported in accordance with GAGAS, identified by number.

(3) When applicable, findings and questioned costs for federal awards required to be reported in accordance with OMB Circular A-133, identified by number.

.03 The Summary Schedule of Prior Year Audit Findings, which is prepared by management, must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs, whether those findings be related to the financial statements or federal programs, and/or matters contained in any management letter. Parenthetically, the schedule should include, for each finding, the fiscal year in which the initial finding was reported. The summary schedule must include audit findings reported in the prior audit's summary schedule of prior audit findings and the current status of the resolution of these findings. The auditor should test management's representation on the schedule of prior audit findings. Any material misstatements should be addressed as a current year finding. Should management fail to complete a summary schedule of prior year audit findings, the auditor should include the following matters in his schedule of current year findings:

(a) When audit findings have been fully corrected, the summary schedule of prior year findings need only list the audit findings and state that corrective action was taken.

(b) When audit findings have not been corrected or have been only partially corrected, the summary schedule must describe the planned corrective action as well as any partial corrective action taken with a reference to the related current year finding, if applicable.

(c) When corrective action taken is significantly different from corrective action previously reported in a corrective action plan, or in the federal agencies or pass-through entity's management decision or response to the LAAC, the summary schedule must provide an explanation.

(d) When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position shall be described in the summary schedule.

.04 Management's Corrective Action Plan For Current Year Findings, which is prepared by management, should address each audit finding included in the current year auditor's reports and/or management letter. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the agency does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons. **Any reporting package that does not include management's corrective action plan for current year findings may be rejected as incomplete.** Should management fail to complete a management corrective action plan or fail to provide management's response, the auditor should so state in his report(s); such a statement will be considered management's response.

.05 The reports required by Section 338.01 and .02 must be included with the presented financial statements, with any issued management letter, and sent to the Legislative Auditor. This does not prevent the auditor from providing the governmental unit with separately bound reports for their distribution to other report users. However, reports are not considered to be final or issued until accepted by the Legislative Auditor’s office.

.06 The Legislative Auditor must be advised, in writing, of any significant reporting disagreements.

339 REVIEW/ATTESTATION ENGAGEMENT REPORTING PACKAGE

.01 Review/attestation engagement reporting packages, required by R. S. 24:513, shall include one copy of the data collection form, prescribed by the Legislative Auditor, and the following:

- The accountant's review report prepared in accordance with *Standards for Accounting and Review Services*;
- The accountant's agreed-upon procedure report prepared in accordance with *Statements on Standards for Attestation Engagements* and *Government Auditing Standards* applicable to attestations*;*
- The attestation questionnaire which was completed by management and adopted by the governing board, if applicable;
- When applicable, management's corrective action plan for any current year findings contained in the report (which is prepared by management); and
- When applicable, a summary schedule of prior year audit findings (which is prepared by management).

340 FINDINGS AND COMMENTS

.01 Within the Schedule of Findings and Questioned Costs, the auditor should disclose all internal control and compliance matters required to be reported under *Government Auditing Standards* and OMB Circular A-133:

(1) Significant deficiencies in internal control relating to the presented financial statements and, when applicable, over major programs. For federal purposes, the auditor's determination of whether a deficiency in internal control is a significant deficiency for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program or an audit objective identified in the compliance supplement. The auditor shall identify significant deficiencies that are individually or cumulatively material weaknesses.

(2) Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to the presented financial statements and, when applicable, major programs. The auditor's determination of whether a noncompliance with the provisions of laws, regulations, contracts, or grant agreements is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program or an audit objective identified in the compliance supplement.

(3) The circumstances concerning why the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for federal awards.

(4) Known fraud.

(5) Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.

.02 For the purpose of reporting questioned costs relating to federal funds, OMB A-133 provides the following reporting guidance:

- Known questioned costs that are greater than $10,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor shall also report known questioned costs when likely questioned costs are greater than $10,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor shall include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

- Known questioned costs that are greater than $10,000 for a federal program that is not audited as a major program. Except for audit follow-up, the auditor is not required under this part to perform audit procedures for such a federal program; therefore, the auditor will normally not find questioned costs for a program that is not audited as a major program. However, if the auditor does become aware of questioned costs for a federal program which is not audited as a major program (e.g., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than $10,000, then the auditor shall report this as an audit finding.

.03 Audit findings should be presented in sufficient detail for the auditee to prepare a corrective action plan and take corrective action, as well as allow state and federal officials to determine whether further action is warranted. The following specific information should be included, as applicable, in audit findings:

(1) Federal or state program and specific award identification including the CFDA title and number, federal award number and year, name of federal agency, and name of the applicable pass-through entity. When information, such as the CFDA title and number or federal award number, is not available, the auditor shall provide the best information available to describe the federal award.

(2) The criteria or specific requirement upon which the audit finding is based, including statutory, regulatory, or other citation.

(3) The condition found, including facts that support the deficiency identified in the audit finding.

(4) Identification of questioned costs and how they were computed.

(5) Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systemic problem. Where appropriate, instances identified shall be related to the universe and the number of cases examined and be quantified in terms of dollar value.

(6) The possible asserted effect to provide sufficient information to the auditee and federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action.

(7) Recommendations to prevent future occurrences of the deficiency identified in the audit finding.

(8) Views of responsible officials of the auditee when there is disagreement with the audit findings, to the extent practical.

Each audit finding in the schedule of findings and questioned costs should include a reference number to allow for easy referencing of the audit findings during follow-up.

.04 The Legislative Auditor may return, as incomplete, any audit containing findings which fail to describe the questioned costs, monetary impact, and operational impact of a findings (dollars subject to significant deficiencies or amounts expended in noncompliance with local, state, or federal laws and regulations).

341 SUPPLEMENTAL DISCLOSURES

.01 Each report shall include, when applicable, the following information to be included as supplemental schedules or in the footnotes as additional disclosures:

(A) A listing of all per diem payments made to members of the governing authorities.

(B) A listing of all professional service payments made to contractors for surveys, feasibility studies, special studies, et cetera (state audits only).

(C) A listing of all federal award programs, to include the information required under the Single Audit Act and OMB Circular A-133.

(D) Performance Measures (school boards and charter schools only)
- Schedule 1, General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
- Schedule 2, Education Levels of Public School Staff
- Schedule 3, Number and Type of Public Schools
- Schedule 4, Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
- Schedule 5, Public School Staff Data: Average Salaries
- Schedule 6, Class Size Characteristics
- Schedule 7, Louisiana Educational Assessment Program (LEAP)
- Schedule 8, Graduation Exit Examination (GEE) (Note: this schedule is no longer applicable.)
- Schedule 9, iLEAP Tests

.02 Should the report include the required data as a supplemental schedule, the auditor's report shall state whether the information is fairly presented in relation to the basic financial statements.

342 COMPLIANCE AUDITING

.01 The auditor has a responsibility of understanding the governmental environment and the impact of laws and regulations on that environment. Compliance auditing or tests designed to determine compliance with laws and regulations are an integral part of governmental engagements. All governmental auditors should be familiar with the general framework of local, state, and federal laws and regulations.

.02 The Louisiana Compliance Questionnaires (Appendix A) constitutes the minimum state compliance requirements of any Louisiana governmental audit. The federal compliance requirements are found in the OMB compliance supplements and related federal regulations. The auditor's responsibility under professional standards are found in AU 935 and AU 240 and *Government Auditing Standards.*

.03 The industry audit guide for state and local audits discusses and illustrates the reporting for instances in which there are no significant laws to be tested. Very few governmental agencies in Louisiana, if any, fall in such a classification. In Louisiana governmental audits, the auditor must be prepared to justify such a decision and such a reporting, as those auditor's reports will be routinely challenged in the desk review and engagement review process.

.04 The attest questionnaire constitutes the minimum compliance requirements that must be tested during review/attestation engagements, in accordance with *Statements on Standards for Attestation Engagements*, issued by the AICPA.

.05 The auditor's test of compliance must be documented within the audit documentation. Reference to a step on an audit program is not considered sufficient documentation.

343 MANAGEMENT LETTERS

.01 An auditor may issue a management letter to discuss immaterial suggestions and recommendations, or other matters required by this guide that are not suitable to report within his audit reports. A management letter may be issued in connection with an audit, review/attestation, or compilation report. The transmittal letter for the issued report shall make reference to any management letter or state that no management letter was issued. Each management letter shall be clearly labeled "Management Letter."

.02 Any management letter that is issued in connection with an engagement must be included in the reporting package submitted to the Legislative Auditor and will be issued as a public document along with the report.

.03 Under no condition shall a significant deficiency or significant compliance finding be placed in the management letter in lieu of placing the finding in the appropriate part of the auditor's formal report(s).

344 WITHDRAWAL OR CANCELLATION

.01 If, for any reason, the auditor should decide to withdraw from the engagement (or the engagement is cancelled), the Legislative Auditor shall be notified immediately, in writing, of the withdrawal. The written notification shall include all substantive reasons for the withdrawal. The notification is a joint responsibility of the auditor and the agency.

345 PRINCIPAL AUDITOR

.01 The principal auditor is the auditor or organization engaged by the primary government as the principal auditor for the reporting entity and should be responsible for examining at least the General Fund or the primary fund of the primary government. The principal auditor is expected to rely on the work of other auditors to the extent permitted by GAGAS and the professional judgment of the principal auditor.

346 ENGAGEMENT PERIOD

.01 The engagement period must cover at least one fiscal year, 12 months, unless otherwise approved by the Legislative Auditor. The engagement period should conform to the fiscal period of the audited entity.

347 PROCURING SERVICES

.01 It is recommended, but not required, that audit and related services be acquired through the use of a request for proposal (RFP). The RFP should detail the services required and should require such information from the respondents necessary to judge the experience, background, and capabilities of the accounting firms. It is recommended that local government and quasi-public agencies not award contracts for audit services solely on the basis of price. Accountants and auditors are professionals and should be compensated on the basis of professional fees agreed upon through competitive proposals and negotiations in advance of the approved engagement. Appendix E lists certain publications that are helpful in procuring audit services.

348 OTHER FUNCTIONS

.01 An internal audit function is a vital control in larger governmental units and large quasi-public agencies. In addition to responding to the needs of management, the internal audit function should be free to determine audit objectives based on a general risk analysis of the entity. Internal auditors should be organizationally located outside line-management functions and should report to a person in the organization not lower than the chief executive officer or the governing board. It is recommended that an internal audit function comply with the standards established by the Institute of Internal Auditors in its operations and functions.

.02 The internal audit function may act as liaison with the external auditors in the absence of an audit committee. The external auditor should rely on the internal control function supplied by an internal audit section to the extent permitted by GAGAS and to the extent the audit work is of acceptable quality.

.03 In addition to internal audit functions, many state agencies acting as grantors of state or federal pass-through funds maintain audit, evaluation, and monitoring sections. These groups routinely audit and evaluate grants made to local governments, organizations, and contractors. This audit work may be relied upon to the extent allowed by GAGAS and to the extent, in the judgment of the CPA, the work is acceptable.

.04 Contracting internal audit functions to the external auditor may violate the independence standards of *Government Auditing Standards.*

349 AUDIT COMMITTEES

.01 Audit committees are designed to ensure a smooth and orderly audit. The purpose of the committee is to act as liaison with the external audit function, to respond to problems encountered during the performance of the audit, to act as an audit resolution committee, and to present audit findings to the governing board. These committees are generally composed of board members, management, internal auditors, and members of the general public. Governmental audit committees are highly recommended.

350 AUDIT/ENGAGEMENT DOCUMENTATION

.01 The auditor must prepare and maintain audit/engagement documentation, the form and content of which should be designed to meet the circumstances of the engagement based on the auditor's professional judgment. However, under no condition shall the audit/engagement documentation consist solely of audit or work programs. The auditor should be familiar with the audit documentation requirements of AU 230 and *Government Auditing Standards,* paragraphs 4.15 through 4.16. The audit documentation should be prepared in such a manner that would enable an experienced auditor, having no previous connection to the audit, to understand:

- The nature, timing, and extent of auditing procedures performed to comply with GAGAS and other applicable standards and requirements;
- The results of the audit procedures performed and the audit evidence obtained;
- The conclusions reached on significant matters; and
- That the accounting records agree or reconcile with the audited financial statements or other audited information.

In addition, the auditors should document, before the audit report is issued, evidence of supervisory review of the work performed that supports findings, conclusions, and recommendations contained in the audit report. Written audit programs should be cross-referenced to the audit documentation

.02 The Legislative Auditor's policy regarding the confidentiality of audit/engagement documentation is as follows:

CAFR Entities The audit/engagement documentation of a CPA performing an engagement of an entity that is included in the state's CAFR is considered to be confidential by law (R.S. 24:513 I. and 44:4 (6)) The CPA performing a CAFR engagement must contact and obtain the express permission of the Legislative Auditor prior to giving access to audit/engagement documentation. Audit/engagement documentation for CAFR entity engagements shall be released only upon receipt of a valid confidentiality agreement or a subpoena. In accordance with state law and professional standards, the CPA may share audit/engagement documentation with any committee, individual, or organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance engagement reviews, and any successor auditors, without prior approval of the Legislative Auditor.

Local Auditees It is the responsibility of a CPA performing a local or quasi-public agency engagement to determine whether they will provide audit/engagement documentation to the client or any third party. The CPA may share audit engagement documentation with the client or any third party without prior approval of the Legislative Auditor **with the exception of the documents noted in the paragraph below.**

Allegations and other information sent by the Legislative Auditor to a CPA performing a local auditee engagement, and the related audit/engagement documentation, are considered to be confidential by law (R.S. 24:513 I. and 44:4 (6)). The CPA must contact and obtain the express permission of the Legislative Auditor prior to giving access to such audit/engagement documentation. Such audit/engagement documentation shall be released only upon receipt of a valid confidentiality agreement or a subpoena. In accordance with state law and professional standards, the CPA may share audit/engagement documentation with any committee, individual, or organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance engagement reviews, and any successor auditors, without prior approval of the Legislative Auditor.

Access to all audit/engagement documentation shall be made to the previously named individuals and organizations within two weeks of the request at no charge, exclusive of direct expenses of the access, such as reproduction costs or other granted privileges. Any deviation from this requirement shall be reported to the Legislative Auditor. When such deviations, in the judgment of the Legislative Auditor, serve to hinder the governmental audit process, the Legislative Auditor may, without liability, take possession of all audit/engagement documentation and make it available to the requesting individuals or organizations. The Legislative Auditor may cancel existing engagement agreements and/or refuse to approve future engagement agreements of any CPA failing to follow the provisions of this section. Audit/engagement documentation should be retained for a minimum of five years.

351 MANAGEMENT SERVICES

.01 Management advisory services are not subject to approval by the Legislative Auditor. However, these services should be detailed in a written contract or engagement agreement.

.02 If, during the course of a management services engagement, the accountant should become aware of misappropriation of funds or criminal acts, he shall notify, in writing, the Legislative Auditor.

.03 If the product of management advisory services is a report prepared in accordance with audit, accounting/review, or attestation standards, the CPA shall submit the physical engagement agreement to the Legislative Auditor's office for approval. However, Legislative Auditor approval is not required for compilation engagements for agencies whose reporting requirement to the Legislative Auditor's office is an audit or review/attestation report.

.04 The independence standards of *Government Auditing Standards* prohibit an auditor from providing certain nonaudit services to an audit client. The auditor should refer to those standards for guidance.

352 OTHER ENGAGEMENTS

.01 If the product of other engagement agreements entered into by a local government or quasi-public agency is a report prepared in accordance with audit, accounting/review, or attestation standards, the CPA shall submit the physical engagement agreement to the Legislative Auditor's office for approval. These types of engagements include but are not limited to agreed-upon procedures examinations, compliance examinations, control/compliance examinations, investigative/forensic audits, data processing audits, internal control audits, performance audits, and other finance-related audits.

These reports are submitted to the Legislative Auditor's office and are issued as public documents. If, during the course of these engagements the auditor becomes aware of misappropriation of funds or criminal acts, he shall notify the Legislative Auditor immediately in writing.

Legislative Auditor approval is not required for compilation engagements for agencies whose reporting requirement to the Legislative Auditor's office is an audit or review/attestation report.

353 ASSISTANCE

.01 The Advisory Services Division of the Legislative Auditor's Office provides technical assistance to CPAs performing governmental engagements. In addition, the Society of Louisiana Certified Public Accountants also provides technical assistance to CPAs performing governmental engagements through its volunteer technical assistance service.

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Kenner, Louisiana 70062-4739
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354 REMEDIAL ACTION FOR FINDINGS

.01 Audit, review/attestation, and compilation reports that include findings or management letter comments are expected to be accompanied by management's plan for corrective action for the condition underlying the finding or comment. When this plan is not included in the report, or review of the plan by Legislative Auditor staff indicates that the plan does not adequately resolve the finding(s), the report may be referred to the Legislative Audit Advisory Council (LAAC).

The LAAC is a committee comprised of members of both houses of the Louisiana Legislature. When a report includes unresolved findings, the agency receives a letter from LAAC requesting the agency to advise LAAC, in writing, of the agency's plan for corrective action.

If management's corrective action plan includes an adequate response, no further action is taken unless the finding is repeated in future years. If the agency does not respond within 30 days, or if the agency's response is determined to be inadequate, management may be asked to attend a meeting with the Legislative Auditor in the Baton Rouge office and/or appear before LAAC to discuss the issue. An agency's management may also be asked to appear before LAAC to discuss findings that are repeated from year to year.

.02 In addition to the state's resolution process for findings, state grantor agencies and cognizant federal agencies issue management decisions relating to direct federal or pass-through federal funds. Generally,

an agency will be required to respond to these grantors. In addition, when an agency has passed federal funds to another governmental unit or organization, the agency is required to see that the sub-grant is audited in accordance with the Single Audit Act, and must maintain a system of audit monitoring and finding resolution.

.03 Periodically, the Legislative Auditor will perform on-site verifications of the accuracy of management's stated resolution of findings. Those efforts are intended to supplement, not duplicate, the work of the CPA and ensure resolution of the report comments.

.04 If an agency fails to make significant progress in correcting the findings in its reports, the Legislative Auditor may require that the agency engage the same CPA firm that performs its audit to perform certain additional procedures to test the agency's internal controls and compliance with laws and regulations and to report on the results of these procedures. This type of engagement, which is called an agreed-upon procedures engagement, will be over and above the work the CPA firm would normally perform during its annual audit, and will likely result in the agency paying higher fees to the CPA firm than the agency normally spends for its annual audit.

355 DESK REVIEWS

.01 The Legislative Auditor performs certain desk reviews of engagements performed by CPAs. A desk review is limited to a review of the auditor's reports, and the financial statements and related notes of the entity. The Legislative Auditor performs desk reviews to determine whether CPA reports, and the accompanying financial statements and related notes, comply with the applicable standards of reporting. Desk reviews are also performed to aid in determining whether or not an engagement review may be necessary. The process is designed to be a constructive, positive approach to assist CPAs that perform government engagements in Louisiana.

.02 Firms are selected for a desk review two ways. First, firms are selected whose reports exhibit certain features that indicate they have a high risk of failing to comply with government auditing standards. Secondly, firms are selected on a random basis.

.03 The *Governmental Audit Engagement Checklist contained in the AICPA Peer Review Program Manual* is used as a guide in conducting desk reviews of audits.

.04 The *Statements on Standards for Attestation Engagements* are used to conduct desk reviews of review/attestation and compilation engagements.

.05 Upon completion of the desk review, the Legislative Auditor will either (1) send a desk review letter to the firm stating that the desk review resulted in no comments/suggestions; (2) send a desk review letter to the firm that includes specific comments/suggestions for consideration in future engagements; or (3) schedule an engagement review with the firm (an engagement review is scheduled when major deficiencies are disclosed by the desk review).

356 ENGAGEMENT REVIEWS

.01 Engagement reviews are performed by state grantor agencies, federal grantor agencies, state and federal cognizant agencies, and the Legislative Auditor. An engagement review is a review of the approach and evidence that supports the audit documentation. These reviews are performed under policies and procedures that have wide acceptance in the profession. The acceptance of a state or local government or quasi-public agency engagement, under the requirements of this guide, subjects the CPA firm to these engagement reviews.

The CPA is required to follow the Legislative Auditor's policy regarding confidentiality of audit/engagement documentation found at Section 350.02 of the Louisiana Governmental Audit Guide when giving access to

engagement documentation to any parties other than those previously named individuals and organizations.

.02 The Legislative Auditor performs engagement reviews of firms auditing state and local government and quasi-public agencies to ensure that the quality of the work provides legislative oversight relating to the use of public funds within Louisiana's state and local governments. To accomplish this objective, the engagement review determines whether the engagement was conducted in accordance with and complied with GAGAS and such other professional standards and/or other auditing and reporting requirements that may be applicable to the engagement.

.03 All engagements are subject to an engagement review by the Legislative Auditor. These include engagements of quasi-public agencies that are primarily or partially funded by public funds and/or serve a public purpose or provide a public service.

.04 Firms are selected for an engagement review two ways. First, firms are selected whose reports exhibit certain features that indicate they have a high risk of failing to comply with government auditing standards and/or other auditing and reporting requirements that may be applicable to the engagement. Second, depending on available resources, firms may be selected on a random basis to provide an indication of the quality of engagements performed by all firms throughout the state.

.05 Notification of the review will be made by a reviewer from the Legislative Auditor's office. The reviewer will contact the firm by telephone and provide the specific engagement to be reviewed and set the date, time, and place of the review. The telephone conversation is followed by a confirming letter.

.06 Upon completing the review of the working documents, an exit conference is held with the firm to resolve any questions of the reviewer and to discuss the results of the review. The results of the engagement review is communicated in a report addressed to the firm. The firm is given an opportunity to respond to the findings in the engagement review report and the response is incorporated in the final report. In addition to the engagement review report, comments and suggestions that do not affect the engagement review report may be communicated to the firm in a confidential letter. All engagement review reports are sent to the State Board of Certified Public Accountants of Louisiana, so as to avoid duplication of quality assurance efforts. Engagement review reports that state that the engagement did not comply with *Government Auditing Standards* (adverse report) or other appropriate standards will also be sent to the auditee.

.07 Firms may appeal any comments or findings included in an engagement review as follows:

1. During the exit conference with the reviewer, an explanation may be provided for the reviewer’s consideration.
2. The firm's written response is reviewed to consider whether the engagement review report should be modified. When the engagement review draft is modified, the responding firm is given the opportunity to modify their response.
3. The firm's written response is included as an integral part of the engagement report.
4. The firm may appeal any finding or wording within the engagement report directly to the Legislative Auditor.

.08 The Legislative Auditor has the authority to establish the terms and conditions of audits of governmental agencies in Louisiana. Failure of a firm to comply with those terms and conditions, as disclosed by the engagement review report, may result in remedial action being imposed by the Legislative Auditor. Any remedial action imposed by the Legislative Auditor is intended as a constructive effort to allow the firm to gain professional training so as to fully understand and comply with the professional standards and to ensure quality governmental audits within the state of Louisiana. Only when those constructive efforts fail does the Legislative Auditor take punitive action.

357 REVISIONS

.01 Periodically, there are revisions to governmental auditing standards and the professional auditing standards of the AICPA. Those revisions are incorporated into the provisions of the guide as issued, unless excluded by formal announcement by the Society of Louisiana Certified Public Accountants and the Legislative Auditor. Any revisions to this audit guide will be immediately made to the Legislative Auditor's website, and notification of substantive changes will be provided to each firm auditing Louisiana governmental agencies.

400. GOVERNMENTAL FINANCIAL REPORTING

.01 Annual financial statements are intended to fulfill management's responsibilities of accountability and stewardship over the public funds they receive. The financial statements reflect the many management decisions that have been made during the year. The financial statements are the most visible fiscal product of financial management. Regardless of the quality of fiscal management, most managers are judged on the quality of the annual financial statements.

.02 In 1980, Standard and Poor's, a major bond rating authority, issued a statement that indicated that bond raters would consider financial statements prepared timely in accordance with generally accepted accounting principles as a positive indicator in rating governmental bond issues. This factor has led many governmental units to improve their annual financial statements.

411 STATE LAW

.01 Louisiana's financial reporting laws (R.S. 24:513 and 24:514) require that all state and local government agencies provide an annual financial report to the Louisiana Legislative Auditor. Quasi-public agencies, including not-for-profit organizations receiving any local or state assistance in any fiscal year, are also required to provide an annual financial report to the Louisiana Legislative Auditor.

.02 The agreement between a local government or quasi-public agency and a CPA firm to perform an audit, review/attestation, or compilation engagement must be approved by the Legislative Auditor. If this agreement is not approved within 60 days of the agency's fiscal year end, R.S. 24:514 requires the agency to provide sworn annual financial statements to the Legislative Auditor. The financial statements must be accompanied by an affidavit that recites (1) that the financial statements are fairly presented; (2) that the entity has maintained an adequate system of internal control; and (3) that the entity has complied with laws and regulations.

.03 Under provisions of R.S. 42:283-286 parish sheriffs, clerks of court, assessors, coroners, registrars of voters, boards of health, boards of equalization, all district levee boards, and boards of commissioners of drainage districts for the state, parish of Orleans excepted, must furnish an annual, written, itemized report to the parish governing authority and the parish clerk of court within 30 days of the close of the fiscal year. The report must show the expenditures made by the respective offices, boards, or commissions, and must include the names and salaries of all employees. This report is in addition to the agency's reporting requirement to the Louisiana Legislative Auditor.

412 MINIMUM REPORTING REQUIREMENTS FOR GOVERNMENTS

.01 Governmental units should report all funds and accounts under their control and supervision. This includes fiduciary funds. The minimum report for state agencies would be those reports required by the Division of Administration. The minimum report for a local government would be the basic or component unit financial statements. These statements would include:

(A) Management Discussion and Analysis

(B) Government–wide Financial Statements:

Statement of Net Position

Statement of Activities

(C) Fund Financial Statements:

Governmental Funds-
Balance Sheet
Statement of Revenues, Expenditures, and Changes in Fund Balances

Proprietary Funds-
Statement of Net Position
Statement of Revenues, Expenses and Change in Net Position
Statement of Cash Flows

Fiduciary Funds-
Statement of Fiduciary Net Assets
Statement of Changes in Fiduciary Net Assets

(D) Notes to the Financial Statements

(E) Required Supplemental Information-

Comparison of Budget to Actual

(F) Supplemental Information-

Performance Information (School Boards Only)
- Schedule 1, General Fund Instructional and Support Expenditures and Certain Local Revenues Sources
- Schedule 2, Education Levels of Public School Staff
- Schedule 3, Number and Type of Public Schools
- Schedule 4, Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
- Schedule 5, Public School Staff Data: Average Salaries
- Schedule 6, Class Size Characteristics
- Schedule 7, Louisiana Educational Assessment Program (LEAP)
- Schedule 8, Graduation Exit Examination (GEE) (Note: this schedule is no longer applicable.)
- Schedule 9, iLEAP Tests

Per Diem Payments—Board members

Professional Services made to contractors for surveys, feasibility studies, special studies, et cetera (state agencies only)

.02 Component units that report with their primary government are not required to submit a separate annual financial report to the Louisiana Legislative Auditor.

.03 While the statements listed above represent minimum financial statements, local governments are encouraged to produce a comprehensive annual financial report (CAFR). The CAFR presents more financial and statistical information about the government, and provides a means of serving the informational needs of all report users.

.04 The Governmental Finance Officers Association (for general government) and the Association of School Business Officials (for school boards only) issue certificates of excellence to government agencies that have established a high degree of expertise in the preparation of their comprehensive annual financial reports. Government agencies are encouraged to actively seek this certification.

.05 Quasi-public agencies are required, at a minimum, to report the sources and uses of the public funds they receive, if these public funds are not commingled with the private funds that the agency receives. If the agency commingles its public and private funds, then all funds the agency receives are considered to be public funds, and must be included in the agency's annual financial report to the Legislative Auditor.

413 MINIMUM REPORTING REQUIREMENTS FOR COMPONENT UNITS

.01 Component units that report with their primary government are not required to submit a separate annual financial report to the Louisiana Legislative Auditor. However, component units that choose to report separately must include in their report all financial statements and disclosures required by generally accepted accounting standards. The annual financial report should disclose the relationship of the component unit to the primary government. These relationships may include the guarantee of debt, joint ventures, and other affiliations.

414 ENFORCEMENT

.01 Under the provisions of R.S. 24:514, the Legislative Auditor has the authority to seek writs of mandamus to force the preparation and presentation of annual financial statements. R.S. 24:518 provides penalties, including fines and imprisonment, for the management of an agency that fails to provide the Legislative Auditor with its books and records. This extends to the management of an agency that contracts with a CPA firm to provide for its annual financial report.

415 SUPPORTING DETAIL

.01 Often agencies use schedules and other working documents to produce the annual financial statements. These working documents may include the detail for adjustments, reclassifications, et cetera, that represent differences between the closing general ledger amounts and the annual financial statements. It is important that these working documents be carefully prepared and retained by the agency as a public record.

416 DISCLOSURE

.01 Even in the best of reports, the financial statements alone cannot adequately reflect the financial position and results of operations of the governmental unit or provide all possible users with the information they desire. For that reason, the report transmittal, management discussion and analysis, and the notes to the financial statements are very important. These narratives allow preparers to put the financial statements in proper perspective and provide report users with information not available through amounts on the statements.

417 AUTHORITATIVE GUIDANCE

.01 Sources of authoritative governmental accounting and reporting authoritative guidance may be found in Appendix E.

418 LEGISLATIVE AUDITOR WEBSITE

.01 The Legislative Auditor provides information to assist local governments and their certified public accountants in preparing their reports and submitting them to the Legislative Auditor through the Legislative Auditor's website at www.lla.la.gov.

419 SEC REPORTING

.01 Governments with outstanding bond issues must file selected financial data and operating data with a nationally recognized municipal securities information repository. Governments should consult their auditor and bond counsel regarding these reporting requirements.

500. GOVERNMENTAL ACCOUNTING

.01 The bookkeeping and accounting system is the backbone of fiscal management in government. It is the system that records information upon which responsible fiscal management is based.

.02 All government officials accept the need for some form of accounting. The question that is frequently raised is, "Why does the accounting system have to be so complex?" The answer is, "Protection and stewardship." There is a responsibility to know that a system of checks and balances exists that protects public funds from misuse. Secondly, there is a responsibility to know that there is a system of recording and reporting that reflects the public official's stewardship responsibility.

.03 The accounting system must clearly reflect the financial position of the government so that elected and appointed governmental officials can make proper decisions concerning capital improvements, public services, repair and maintenance programs, et cetera. The accounting system must also permit a continuing comparison between the revenues and expenditures estimated in the budget and those that actually occur. This comparison must be presented in a clear and concise fashion, and it must be timely.

.04 Four minimum requirements should be structured into any governmental accounting system:

(A) The system must comply with local, state, and federal legal provisions. (Often in government, there are differences between legal accounting requirements and the requirements of generally accepted accounting principles. In such instances, the government must maintain records that reflect compliance with legal requirements, but at the same time maintain the ability to produce financial statements that comply with accounting principles generally accepted in the United States.)

(B) The system should be an accurate reflection of the fiscal condition and results of operations of the government to provide a basis for money decisions and control.

(C) Required financial reports should be easily extractable from the system.

(D) The system must be capable of being audited in a simple manner.

.05 In addition, the system should be supported by written policies and procedures. This documentation provides for a consistent, uniform approach to accumulating financial information.

.06 The accounting system should track the performance data, identified in the entity's strategic plan, that tracks and reports the performance of the entity's governmental programs.

511 STATE LAW

.01 In general, Louisiana political subdivisions must follow generally accepted accounting principles in the area of accounting and reporting. These principles are prescribed by the Governmental Accounting Standards Board. The state laws for political subdivisions are as follows:

- State of Louisiana - generally accepted accounting principles (LSA-RS 24:514).
- State agencies - guidelines established by the Division of Administration (LSA-RS 24:514 and 39:51).

- Parish level governments - generally accepted accounting principles (LSA-RS 24:514). (Certain units of parish government that may not issue bonds may issue cash basis financial statements with certain required disclosures.)

- Municipalities - generally accepted accounting principles. Under the provisions of LSA-RS 24:514 and 33:463, this guide requires municipalities to account and prepare financial statements in accordance with generally accepted accounting principles.

- Quasi-public agencies - generally accepted accounting principles (AICPA audit guide, *Audits of Not-For-Profit Organizations* or GASB standards).

512 AUDIT TRAIL

.01 The first and most important requirement of an accounting system is that there be an audit trail. Every transaction in the system must be traceable to supporting documentation. It should be possible to trace the occurrence of an event from the supporting documentation, to initial recording, to summarization in a general ledger account, comparison to budgeted amounts, and interim and annual financial reports. This trail is facilitated by file control and a reconciling series of journals, ledgers, subsidiary ledgers, and reports.

513 TIMELINESS/REPORTS

.01 A good financial management system must be maintained daily. Transactions must be recorded in the accounting system as they occur. Books of original entry must be summarized monthly and posted to the general ledgers. Bank reconciliations, subsidiary to control reconciliations, and such other reconciliations as are necessary must be performed in a timely manner throughout the year.

.02 The financial management system should be designed to produce timely and meaningful reports. These would include interim reports for management, grant or special reports, budget reports, and the annual basic financial statements.

514 LEGAL/GAAP

.01 Governmental accounting principles recognize that local, state, and federal laws and regulations may not always agree with accounting principles generally accepted in the United States. Therefore, governmental accountants must design financial management systems that comply with those laws and regulations, but also produce generally accepted accounting statements. This dual responsibility is somewhat unique to government.

515 FUND ACCOUNTING

.01 Governmental resources, in addition to budgetary restraints, are often restricted as to expenditure for a specific purpose. These restrictions may come from tax propositions, bond indentures, grant guidelines, et cetera. Because of such restrictions, fund accounting is used to demonstrate compliance with the imposed restrictions. However, funds should only be established when legally mandated or the accounting system requires a full separation of the funds.

516 GRANT ACCOUNTING

.01 As a recipient of grant monies, governmental units need to account for the receipt and expenditure of grant funds. This is accomplished by fund accounting or project accounting. To the extent the accounting system will accommodate project accounting, this method is preferable as it keeps the number of funds to a minimum.

517 BUDGETS

.01 In governmental accounting, the budget plays a unique role in fiscal management. Budgets are the means by which governmental finances are controlled. For this reason, budgets are input into the accounting system to provide a constant measure of "what is" to "what should be." In addition, because of the importance of the budget, encumbrances (unfulfilled obligations) are generally recorded within the accounting system. This provides a means of controlling budgeted expenditures and obligations.

The Local Government Budget Act (LSA-RS 39:1301-1315) is the primary budgetary guidance (and legal requirement) for local governmental units and Louisiana political subdivisions. Guidance regarding the Local Government Budget Act is available on the Legislative Auditor's website at http://www.lla.la.gov/legalassistance/.

.02 The budget should be prepared in a manner that parallels the accounting system. Fund structure and account classifications used in the accounting system should be used in developing the budget. This provides for meaningful comparisons of actual transactions to the budget(s).

518 CHART OF ACCOUNTS

.01 Louisiana local government and Louisiana political subdivisions must use the chart of accounts prescribed by the Legislative Auditor and available on the Legislative Auditor's website at http://www.lla.la.gov/userfiles/file/chart.pdf. The chart of accounts is a multi-level chart, designed to meet the needs of all local governments and political subdivisions. It should be used as a basis for developing a chart of accounts specific to the governmental entity. The numbering system used in the chart illustrates a uniform method of numbering accounts.

.02 The size and informational needs of the political subdivision will guide the application of the chart of accounts.

.03 State government and agencies must use the chart of accounts prescribed by the Division of Administration, except that colleges and universities use the chart of accounts prescribed by the National Association of College and University Business Officials.

519 RECORD RETENTION

.01 The financial records of governmental units are public records. As such, they are open to inspection by the general public and must be made available within three working days of an official request. Public records must be retained for three years or until audited, whichever is longer (LSA-RS 44:1 et al). Certain records, such as bond records, minutes, tax and personnel/payroll records, et cetera, should be retained for significantly longer periods of time. Each public agency is to create a record retention schedule that must be approved by the State Archivist, Louisiana Secretary of State, 3851 Essen Lane, Baton Rouge, Louisiana (225/925-7552).

520 AUTHORITATIVE GUIDANCE

.01 Appendix E of this guide provides a list of authoritative guidance in the area of governmental accounting.

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements)

Dear Chief Executive Officer:

Attached is the Louisiana Compliance Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of a financial audit of Louisiana state and local government and quasi-public agencies. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting. Independently elected officials should sign the document, in lieu of such a resolution.

The completed questionnaire and a copy of the adoption instrument, if appropriate, must be given to the auditor at the beginning of the audit. The auditor will, during the course of his regular audit, test the accuracy of the responses in the questionnaire. It is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization, especially those related to federal financial assistance, the requirements of the Single Audit Act, and OMB Circular A-133. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the auditor during the course of his examination. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor

Enclosure

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements of Government Agencies)

_____(Date Transmitted)

_____
_____
_____
_____ (Auditors)

In connection with your audit of our financial statements as of _____ and for _____ (period of audit) for the purpose of expressing an opinion as to the fair presentation of our financial statements in accordance with accounting principles generally accepted in the United States of America, to assess our system of internal control as a part of your audit, and to review our compliance with applicable laws and regulations, we confirm, to the best of our knowledge and belief, the following representations. These representations are based on the information available to us as of _____(date completed/date of the representations).

PART I. AGENCY PROFILE

1. Name and address of the organization.

2. List the population of the municipality or parish based upon the last official United States Census or most recent official census (municipalities and police juries only). Include the source of the information.

3. List names, addresses, and telephone numbers of entity officials. Include elected/appointed members of the governing board, chief executive and fiscal officer, and legal counsel.

4. Period of time covered by this questionnaire.

5. The entity has been organized under the following provisions of the Louisiana Revised Statute(s) (R.S.) and, if applicable, local resolutions/ordinances.

6. Briefly describe the public services provided.

7. Expiration date of current elected/appointed officials' terms.

LEGAL COMPLIANCE

PART II. PUBLIC BID LAW

8. The provisions of the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.
   A) All public works purchases exceeding $150,000 have been publicly bid.

   B) All material and supply purchases exceeding $30,000 have been publicly bid.

Yes [ ] No [ ]

PART III. CODE OF ETHICS LAW FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

9. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [ ] No [ ]

10. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [ ] No [ ]

PART IV. LAWS AFFECTING BUDGETING

11. We have complied with the budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15) R.S. 39:33, or R.S. 39:1331-1342, as applicable:

A. Local Budget Act

1. We have adopted a budget for the general fund and all special revenue funds (R.S. 39:1305).
2. The chief executive officer, or equivalent, has prepared a proposed budget that included a budget message, a proposed budget for the general fund and each special revenue fund, and a budget adoption instrument that specified the chief executive's authority to make budgetary amendments without approval of the governing authority. Furthermore, the proposed expenditures did not exceed estimated funds to be available during the period (R.S. 39:1305).
3. The proposed budget was submitted to the governing authority and made available for public inspection at least 15 days prior to the beginning of the budget year (R.S. 39:1306).
4. To the extent that proposed expenditures were greater than $500,000, we have made the budget available for public inspection and have advertised its availability in our official journal. The advertisement included the date, time, and place of the public hearing on the budget. Notice has also been published certifying that all actions required by the Local Government Budget Act have been completed (R.S. 39:1307).
5. If required, the proposed budget was made available for public inspection at the location required by

R.S. 39:1308.
6. All action necessary to adopt and finalize the budget was completed prior to the date required by state law. The adopted budget contained the same information as that required for the proposed budget (R.S. 39:1309).
7. After adoption, a certified copy of the budget has been retained by the chief executive officer or equivalent officer (R.S. 39:1309).
8. To the extent that proposed expenditures were greater than $500,000, the chief executive officer or equivalent notified the governing authority in writing during the year when actual receipts plus projected revenue collections for the year failed to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more (R.S. 39:1311).
9. The governing authority has amended its budget when notified, as provided by R.S. 39:1311. (Note, general and special revenue fund budgets should be amended, regardless of the amount of expenditures in the fund, when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by five percent or more; or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by five percent or more. State law exempts from the amendment requirements special revenue funds with anticipated expenditures of $500,000 or less, and exempts special revenue funds whose revenues are expenditure-driven - primarily federal funds-from the requirement to amend revenues.)

Yes [ ] No [ ]

B. State Budget Requirements
1. The state agency has complied with the budgetary requirements of R.S. 39:33.

Yes [ ] No [ ]

C. Licensing Boards
1. The licensing board has complied with the budgetary requirements of R.S. 39:1331-1342.

Yes [ ] No [ ]

PART V. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING LAWS

12. We have maintained our accounting records in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements to comply with R.S. 24:513 and 515, and/or 33:463.

Yes [ ] No [ ]

13. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [ ] No [ ]

14. We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable. Yes [ ] No [ ]

15. We have had our financial statements audited in a timely manner in accordance with R.S. 24:513.

Yes [ ] No [ ]

16. We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief financial officer.

Yes [ ] No [ ]

PART VI. MEETINGS

17. We have complied with the provisions of the Open Meetings Law, provided in R. S. 42:11 through 42:28.

Yes [ ] No [ ]**PART**

VII. ASSET MANAGEMENT LAWS

18. We have maintained records of our fixed assets and movable property records, as required by R.S. 24:515 and/or 39:321-332, as applicable.

Yes [ ] No [ ]

PART VIII. FISCAL AGENCY AND CASH MANAGEMENT LAWS

19. We have complied with the fiscal agency and cash management requirements of R.S. 39:1211-45 and 49:301-327, as applicable.

Yes [ ] No [ ]

PART IX. DEBT RESTRICTION LAWS

20. It is true we have not incurred any long-term indebtedness without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [ ] No [ ]

21. We have complied with the debt limitation requirements of state law (R.S. 39:562).

Yes [ ] No [ ]

22. We have complied with the reporting requirements relating to the Fiscal Review Committee of the State Bond Commission (R.S. 39:1410.62).

Yes [ ] No [ ]

PART X. REVENUE AND EXPENDITURE RESTRICTION LAWS

23. We have restricted the collections and expenditures of revenues to those amounts authorized by Louisiana statutes, tax propositions, and budget ordinances.

Yes [ ] No [ ]

24. It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [ ] No [ ]

25. It is true that no property or things of value have been loaned, pledged, or granted to anyone in violation of Article VII, Section 14 of the 1974 Louisiana Constitution.

Yes [ ] No [ ]

PART XI. ISSUERS OF MUNICIPAL SECURITIES

26. It is true that we have complied with the requirements of R.S. 39:1438.C.

Yes [ ] No [ ]

PART XI. QUESTIONS FOR SPECIFIC GOVERNMENTAL UNITS

Parish Governments

27. We have adopted a system of road administration that provides as follows:

A. Approval of the governing authority of all expenditures, R.S. 48:755(A).
B. Development of a capital improvement program on a selective basis, R.S. 48:755.
C. Centralized purchasing of equipment and supplies, R.S. 48:755.
D. Centralized accounting, R.S. 48:755.
E. A construction program based on engineering plans and inspections, R.S. 48:755.
F. Selective maintenance program, R.S. 48:755.
G. Annual certification of compliance to the auditor, R.S. 48:758.

Yes [ ] No [ ]

School Boards

28. We have complied with the general statutory, constitutional, and regulatory provisions of the Louisiana Department of Education, R.S. 17:51-401.

Yes [ ] No [ ]

29. We have complied with the regulatory circulars issued by the Louisiana Department of Education that govern the Minimum Foundation Program.

Yes [ ] No [ ]

30. We have, to the best of our knowledge, accurately compiled the performance measurement data contained in the following schedules and recognize that your agreed-upon procedures will be applied to such schedules and performance measurement data:
Parish school boards are required to report, as part of their annual financial statements, measures of performance. These performance indicators are found in the supplemental schedules:

- Schedule 1, General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
- Schedule 2, Education Levels of Public School Staff
- Schedule 3, Number and Type of Public Schools
- Schedule 4, Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
- Schedule 5, Public School Staff Data: Average Salaries
- Schedule 6, Class Size Characteristics
- Schedule 7, Louisiana Educational Assessment Program (LEAP)
- Schedule 8, Graduation Exit Examination (GEE) (Note: this schedule is no longer applicable.)
- Schedule 9, iLEAP Tests

Yes [ ] No [ ]

Tax Collectors

31. We have complied with the general statutory requirements of R.S. 47.

Yes [ ] No [ ]

Sheriffs

32. We have complied with the state supplemental pay regulations of R.S. 33:2218.8.

Yes [ ] No [ ]

33. We have complied with R.S. 33:1432 relating to the feeding and keeping of prisoners.

Yes [ ] No [ ]

District Attorneys

34. We have complied with the regulations of the DCFS that relate to the Title IV-D Program.

Yes [ ] No [ ]

Assessors

35. We have complied with the regulatory requirements found in R.S. Title 47.

Yes [ ] No [ ]

36. We have complied with the regulations of the Louisiana Tax Commission relating to the reassessment of property.

Yes [ ] No [ ]

Clerks of Court

37. We have complied with R.S. 13:751-917 and applicable sections of R.S. 11:1501-1562.

Yes [ ] No [ ]

Libraries

38. We have complied with the regulations of the Louisiana State Library.

Yes [ ] No [ ]

Municipalities

39. Minutes are taken at all meetings of the governing authority (R.S. 42:7.1).

Yes [ ] No [ ]

40. Minutes, ordinances, resolutions, budgets, and other official proceedings of the municipalities are published in the official journal (R.S. 43:141-146 and A.G. 86-528).

Yes [ ] No [ ]

41. All official action taken by the municipality is conducted at public meetings (R.S. 42:11 to 42:28).

Yes [ ] No [ ]

Airports

42. We have submitted our applications for funding airport construction or development to the Department of Transportation and Development as required by R.S. 2:802.

Yes [ ] No [ ]

43. We have adopted a system of administration that provides for approval by the department for any expenditures of funds appropriated from the Transportation Trust Fund, and no funds have been expended without department approval (R.S. 2:810).

Yes [ ] No [ ]

44. All project funds have been expended on the project and for no other purpose (R.S. 2:810).

Yes [ ] No [ ]

45. We have certified to the auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (R.S. 2:811).

Yes [ ] No [ ]

Ports

46. We have submitted our applications for funding port construction or development to the Department of Transportation and Development as required by R.S. 34:3452.

Yes [No [ ]

47. We have adopted a system of administration that provides for approval by the department for any expenditures of funds made out of state and local matching funds, and no funds have been expended without department approval (R.S. 34:3460).

Yes [ ] No [ ]

48. All project funds have been expended on the project and for no other purpose (R.S. 34:3460).

Yes [ ] No [ ]

49. We have established a system of administration that provides for the development of a capital improvement program on a selective basis, centralized purchasing of equipment and supplies, centralized accounting, and the selective maintenance and construction of port facilities based upon engineering plans and inspections (R.S. 34:3460).

Yes [ ] No [ ]

50. We have certified to the auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (R.S. 34:3461).

Yes [ ] No [ ]

Sewerage Districts

51. We have complied with the statutory requirements of R.S. 33:3881-4159.10.
Yes [ ] No [ ]

Waterworks Districts

52. We have complied with the statutory requirements of R.S. 33:3811-3837.
Yes [ ] No [ ]

Utility Districts

53. We have complied with the statutory requirements of R.S. 33:4161-4546.21.
Yes [ ] No [ ]

Drainage and Irrigation Districts

54. We have complied with the statutory requirements of R.S. 38:1601-1707 (Drainage Districts); R.S. 38:1751-1921 (Gravity Drainage Districts); R.S. 38:1991-2048 (Levee and Drainage Districts); or R.S. 38:2101-2123 (Irrigation Districts), as appropriate.
Yes [ ] No [ ]

Fire Protection Districts

55. We have complied with the statutory requirements of R.S. 40:1491-1509.
Yes [ ] No [ ]

Other Special Districts

56. We have complied with those specific statutory requirements of state law applicable to our district.
Yes [ ] No [ ]

The previous responses have been made to the best of our belief and knowledge.

_____Secretary_____Date

_____Treasurer_____Date

_____President_____Date

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements of Quasi-Public Agencies)

_____ (Date Transmitted)

_____
_____
_____
_____ (Auditors)

In connection with your audit of our financial statements as of _____ and for _____ (period of audit) for the purpose of expressing an opinion as to the fair presentation of our financial statements in accordance with accounting principles generally accepted in the United States of America, to assess our system of internal control as a part of your audit, and to review our compliance with applicable laws and regulations, we confirm, to the best of our knowledge and belief, the following representations. These representations are based on the information available to us as of _____(date completed/date of the representations).

PART I. AGENCY PROFILE

1. Name and address of the organization.

2. List names, addresses, and telephone numbers of entity officials. Include elected/appointed members of the governing board, chief executive and fiscal officer, and legal counsel.

3. Period of time covered by this questionnaire.

4. The entity has been organized under the following provisions of the Louisiana Revised Statute(s) (R.S.) and, if applicable, local resolutions/ordinances.

5. Briefly describe the public services provided.

6. Expiration date of current elected/appointed officials' terms.

Part II. Federal, State, and Local Awards

7. We have detailed for you the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes [ ] No [ ]

8. All transactions relating to federal grants have been properly recorded within our accounting records and reported to the appropriate federal grantor officials.

Yes [ ] No [ ]

9. All transactions relating to state grants have been properly recorded within our accounting records and reported to the state grantor officials.

Yes [ ] No [ ]

10. All transactions relating to local grants have been properly recorded within our accounting records and reported to the appropriate local grantor officials.

Yes [ ] No [ ]

11. The reports filed with federal agencies are properly supported by books of original entry and supporting documentation.

Yes [ ] No [ ]

12. The reports filed with state agencies are properly supported by books of original entry and supporting documentation.

Yes [ ] No [ ]

13. The reports filed with local agencies are properly supported by books of original entry and supporting documentation.

Yes [ ] No [ ]

14. We have complied with all applicable compliance requirements of all federal programs we administer, to include matters contained in the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and matters contained in the grant awards.

Yes [ ] No [ ]

15. We have complied with all applicable specific requirements of all state programs we administer, to include matters contained in the grant awards.

Yes [ ] No [ ]

16. We have complied with all applicable specific requirements of all local programs we administer, to include matters contained in the grant awards.

Yes [ ] No [ ]

17. We have provided you with all communications from grantors concerning noncompliance with or deficiencies in administering grant programs.

Yes [ ] No [ ]

Part III. Public Records

18. We are familiar with the Public Records Act and have made available to the public those records as required by R.S. 44:33.

Yes [ ] No [ ]

Part IV. Open Meetings

19. Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at http://app1.lla.state.la.us/llala.nsf, to determine whether a non-profit agency is subject to the open meetings law.**

Yes [ ] No [ ]

Part V. Budget

20. For each federal grant, we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration.

Yes [ ] No [ ]

21. For each grant received from the state, we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose, duration, specific goals and objectives, and measures of performance.

Yes [ ] No [ ]

22. For each local grant, we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration.

Yes [ ] No [ ]

Part VI. Reporting

23. We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief financial officer.

Yes [ ] No [ ]

The previous responses have been made to the best of our belief and knowledge.

_____Secretary_____Date

_____Treasurer_____Date

_____President_____Date

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements of Charter Schools)

Dear Chief Executive Officer:

Attached is the Louisiana Compliance Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of a financial audit of Louisiana charter schools. Upon completion, the questionnaire must be presented to and adopted by the governing body of your organization in an open meeting.

The completed questionnaire must be given to the auditor at the beginning of the audit. The auditor will, during the course of his/her regular audit, test the accuracy of the responses in the questionnaire. It is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the auditor during the course of his/her examination. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor

Enclosure

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements of Charter Schools)

_____ (Date Transmitted)

_____(Auditors)

_____(Address)

_____(City, State Zip)

In connection with your audit of our financial statements as of _____ and for _____ (period of audit) for the purpose of expressing an opinion as to the fair presentation of our financial statements in accordance with accounting principles generally accepted in the United States of America, to assess our internal control structure as a part of your audit, and to review our compliance with applicable laws and regulations, we confirm, to the best of our knowledge and belief, the following representations. These representations are based on the information available to us as of _____(date completed/date of the representations).

PART I. SCHOOL PROFILE

1. Name and address of the charter school.

2. List names, addresses, and telephone numbers of school officials. Include members of the governing board, chief executive and fiscal officer, and legal counsel.

3. Period of time covered by this questionnaire.

4. Identify the charter school type and the parties to the charter.

5. Briefly describe the public services provided.

6. Identify the expiration date of current charter.

LEGAL COMPLIANCE

PART II. ADMINISTRATION

7. It is true that no member of the governing or management board has received any compensation other than reimbursement of actual expenses incurred while fulfilling duties as a member of such board (R.S. 17:3991(A)(1)(b)].

8. All members of the governing board and all school administrators meet the qualifications prescribed by the charter school agreement [R.S. 17.3991(B)(10)].

9. Our actual management and accounting practices comply with those prescribed by the charter agreement [R.S. 17.3991(B)(16)].

10. It is true that the school has maintained the types and amounts of insurance coverage specified by the charter agreement [R.S. 17.3991(B)(18)].

11. The school is not affiliated with any religion or religious organization or institution [R.S. 17:3991(E)(1)].

Yes [ ] No [ ]

PART III. STUDENT ADMISSIONS

12. Student admission requirements, if any, include a system for appropriate admission decisions and the requirements have been applied on a consistent basis [R.S. 17:3991(B)(3)].

13. It is true that all students reside within the jurisdiction of the school as described in the charter agreement [R.S. 17:3991(C)(1)(a)].

14. The student application period is not less than one month nor more than three months [R.S. 17:3991(C)(1)(b)].

15. No students, other than those enrolled in the preexisting school, if applicable, or those who attended the charter school in its previous year of operation, or the siblings of students who attended the charter school in its previous year of operation have been given preferential admission or have been admitted during the application period [R.S. 17:3991(C)(1)(c)(i) through (iii)].

Yes [ ] No [ ]

PART IV. INSTRUCTIONAL STAFF

16. The charter school has employed instructional staff who have at least a baccalaureate degree and who are subject to all provisions of state law relative to background checks applicable to the employment of public school personnel [R.S. 17: 17:3991(C)(6)].

Yes [ ] No [ ]

PART V FIXED ASSETS

17. Yes, as a Type 4 charter school, if applicable, we have maintained records of fixed assets that clearly identify those assets belonging to the local school board [R.S. 17:3991(H)].

18. Yes, as a Type 1, Type 1B, Type 2, Type 3, or Type 5 charter school, if applicable, we have maintained records of fixed assets that clearly identify those assets acquired with public funds, which, if the school ceases to operate, become the property of the chartering authority [R.S. 17:3991(H)].

19. The charter school, regardless of type, has maintained records of fixed assets that clearly identify those assets which were acquired with private funds and which remain the property of the nonprofit organization [R.S. 17:3991(H)].

Yes [ ] No [ ]

PART VI COUNT OF STUDENTS

20. It is true that the student count reported to the local school board or the Louisiana Department of Education, as applicable, represents the actual number of eligible students enrolled in the charter school as of October 1 of the funding year [R.S. 17:3995(A)(1)].

Yes [ ] No [ ]

PART VII OPEN MEETINGS LAW

21. We have complied with the laws pertaining to open and public meetings (R.S. 42:11 through 42:28).

Yes [ ] No [ ]

PART VIII PUBLIC RECORDS ACT

22. It is true that we have complied with the laws pertaining to public records (R.S. 44:1 through 44:39).

Yes [ ] No [ ]

PART IX PUBLIC BID LAW

23. It is true that we obtained bids for any erection, construction, alteration, improvement, or repair of a public facility or immovable property (R.S. 38:2211 through 38:2259).

Yes [ ] No [ ]

PART X STATE AUDIT LAW

24. It is true that we have provided audited financial statements to the Legislative Auditor in accordance with and within the timeframe established by the state audit law (R.S. 24:513).

Yes [ ] No [ ]

PART XI GENERAL

25. It is true that the actual operations of the school agree with those specified in its approved charter (See Charter).

Yes [ ] No [ ]

PART XII ISSUERS OF MUNICIPAL SECURITIES

26. It is true that we have complied with the requirements of R.S. 39:1438.C.

Yes [ ] No [ ]

PART XIII REPORTING

27. We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief financial officer.

Yes [ ] No [ ]

The previous responses have been made to the best of our belief and knowledge.

_____Secretary_____Date

_____Treasurer_____Date

_____President _____Date

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

Dear Chief Executive Officer:

Attached is the Louisiana Attestation Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of the review/attestation engagement of Louisiana government agencies. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting. Independently elected governmental officials should sign the document, in lieu of such a resolution.

The completed attestation questionnaire and a copy of the adoption instrument, if appropriate, **must be given to the independent certified public accountant at the beginning of the engagement**. The CPA will, during the course of his engagement, perform certain agreed-upon procedures to the responses in the questionnaire. It is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the CPA during the course of his engagement. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

_____ (Date Transmitted)

_____
_____
_____
_____ (Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes [ ] No [ ]

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [ ] No [ ]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [ ] No [ ]

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes [ ] No [ ]

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [ ] No [ ]

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes [ ] No [ ]

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes [ ] No [ ]

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief financial officer.

Yes [ ] No [ ]

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes [ ] No [ ]

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [ ] No [ ]

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [ ] No [ ]

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.

_____Secretary_____Date

_____Treasurer_____Date

_____President_____Date

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-Public Agencies)

Dear Chief Executive Officer:

Attached is the Louisiana Attestation Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of the review/attestation engagement of Louisiana quasi-public agencies. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting. The chief executive officer of a quasi-public agency without a governing body should sign the document, in lieu of such a resolution.

The completed questionnaire and a copy of the adoption instrument, if appropriate, **must be given to the independent certified public accountant at the beginning of the engagement**. The CPA will, during the course of his engagement, perform certain agreed-upon procedures to the responses in the questionnaire. It is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the independent CPA during the course of his engagement. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

_____ (Date Transmitted)

_____
_____
_____
_____ (Auditors)

In connection with your review of our financial statements as of _____ and for the period then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/ representation).

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes [ ] No [ ]

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes [ ] No [ ]

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [ ] No [ ]

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [ ] No [ ]

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at http://app1.lla.state.la.us/llala.nsf, to determine whether a non-profit agency is subject to the open meetings law.**

Yes [ ] No [ ]

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [ ] No [ ]

Reporting

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief financial officer.

Yes [ ] No [ ]

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [ ] No [ ]

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

_____Secretary_____Date

_____Treasurer_____Date

_____President_____Date

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Charter Schools)

Dear Chief Executive Officer:

Attached is the Louisiana Attestation Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of the review/attestation engagement of Louisiana charter schools. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting. If the charter school does not have a governing body, the questionnaire should be signed by the chief executive officer.

The completed questionnaire and a copy of the adoption instrument, if appropriate, **must be given to the independent certified public accountant at the beginning of the engagement**. The CPA will, during the course of his engagement, perform certain agreed-upon procedures to the responses in the questionnaire. it is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the CPA during the course of his engagement. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Charter Schools)

_____ (Date Transmitted)

_____(Auditors)

_____(Address)

_____(City, State Zip)

In connection with your review of our financial statements as of _____(date) and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with these laws and regulations prior to making these representations.

These representations are based on the information available to us as of _____ (date completed/date of the representations).

Administration

It is true that no member of the governing or management board has received any compensation other than reimbursement of actual expenses incurred while fulfilling duties as a member of such board [R.S. 17:3991(A)(1)(b)].

The school is not affiliated with any religion or religious organization or institution [R.S. 17:3991(E)(1)].

Yes [ ] No [ ]

Student Admissions

Student admission requirements, if any, include a system for appropriate admission decisions and the requirements have been applied on a consistent basis [R.S. 17:3991(B)(3)].

It is true that all students reside within the jurisdiction of the school as described in the charter agreement [R.S. 17:3991(C)(1)(a)].

Yes [ ] No [ ]

Instructional Staff

The charter school has employed instructional staff who have at least a baccalaureate degree and who are subject to all provisions of state law relative to background checks applicable to the employment of public school personnel [R.S. 17:3991(C)(6)].

Yes [ ] No [ ]

Fixed Assets

Yes, as a Type 4 charter school, if applicable, we have maintained records of fixed assets that clearly identify those assets belonging to the local school board [R.S. 17:3991(H)].

Yes, as a Type 1, Type 1B, Type 2, Type 3 or Type 5 charter school, if applicable, we have maintained records of fixed assets that clearly identify those assets acquired with public funds, which, if the school ceases to operate, become the property of the chartering authority [R.S. 17:3991(H)].

Yes [ ] No [ ]

Open Meetings Law

We have complied with the laws pertaining to open and public meetings (R.S. 42:11 through 42:28).

Yes [ ] No [ ]

Public Bid Law

It is true that we obtained bids for any erection, construction, alteration, improvement, or repair of a public facility or immovable property (R.S. 38:2211 through 38:2259).

Yes [ ] No [ ]

State Audit Law

It is true that we have provided a review/attestation report to the Legislative Auditor in accordance with and within the timeframe established by the state audit law (R.S. 24:513).

Yes [ ] No [ ]

Reporting

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief financial officer.

Yes [ ] No [ ]

General

It is true that the actual operations of the school agree with those specified in its approved charter (See Charter).

Yes [ ] No [ ]

The previous responses have been made to the best of our belief and knowledge.

_____Secretary_____Date

_____Treasurer_____Date

_____President _____Date

APPENDIX B. SAMPLE ENGAGEMENT LETTERS

AUDIT ENGAGEMENT LETTER

(Date)

(Addressed to the governing
board of the auditee)

Dear _____:

As certified public accountants licensed to practice in Louisiana, we are pleased to confirm our understanding of the services we are to provide (Any Parish Governing Authority) as of and for the year ended December 31, 20X1.

Audit Scope We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the notes to the financial statements, which collectively comprise the basic financial statements, of (Any Parish Governing Authority) as of and for the year ended December 31, 20X1.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement (Any Parish Governing Authority's) basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to (Any Parish Governing Authority's) RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. (Example) Management's discussion and analysis
2.
3.

We have also been engaged to report on supplementary information other than RSI that accompanies (Any Parish Governing Authority's) financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. (Example) Schedule of expenditures of federal awards
2.

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

1. (Example)
2.
3.

It is our understanding that our audit will encompass the following component agencies and funds:

Any Parish Governing Authority (primary government)

General Fund
ABC Special Revenue Fund
GCD Special Revenue Fund
DDD Capital Projects Fund
AAA Debt Service Fund

Any Airport District No. 2 (component)

General Fund
YYY Special Revenue Fund

It is our understanding that the following component units, to be included in your basic financial statements, will be audited by another firm of certified public accountants, A and B, CPAs:

Any Drainage District No. 1 (component unit)
Any Sewerage District No. 1 (component unit)
Any Waterworks District (component unit)

Our report on the above described basic financial statements, insofar as they relate to the amounts included for these particular funds, will be based on the reports of the other auditors. It is our understanding that the reports on these components will be available by (date).

Audit Objectives The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles, and to report on the fairness of the supplementary information referred to in the fourth paragraph of the previous section, when considered in relation to the financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements, in accordance with *Government Auditing Standards*.

- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996, the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. Our audit will comply with the provisions of Louisiana Revised Statute 24:513 and the provisions of the Louisiana Governmental Audit Guide, published jointly by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

We will make reference to (Name of Component Unit Auditor's) audit of (Name of Component Unit) in our report on your financial statements.

Our audit will also include performing procedures on the financial information of (Name of Component Unit) or requesting (Name of Component Unit Auditor) to perform procedures on the financial information of (Name of Component Unit) to enable us to express such an opinion.

Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-mater or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement. Should such situation arise, we will notify you and the Legislative Auditor.

We will use professional judgment in determining the standards that apply to the work to be conducted. If this engagement will not satisfy the requirements of all audit report users, laws, and regulations, we will notify you as soon as this comes to our attention. We will then submit another engagement letter for your approval that complies with the applicable requirements and will seek approval of the Legislative Auditor for the engagement. We will consider all standards that may apply, but in particular, we will determine whether a different type of engagement is needed based on:

- State of Louisiana's audit law.
- Audit requirements of *Government Auditing Standards*.
- OMB Circular A-133 audit requirements for a single audit or program-specific audit when federal award expenditures equal or exceed $500,000 for the fiscal year.
- Bond requirements, either to issue bonds or as a bond indenture provision.
- Other contractual requirements.

Management's Responsibilities Management of (Any Parish Governing Authority) is responsible for the basic financial statements and all accompanying information, as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monintoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of (Any Parish Governing Authority) and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it is necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming in the written representation letter that the effects of any uncorrected misstatements, aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings, and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on (Date).

You are responsible for preparation of the schedule of federal awards in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedules of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (a) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (b) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (c) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later

than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures—General An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any fraudulent financial reporting, misappropriation of assets, or material abuse that come to our attention, and will also notify the Legislative Auditor in writing. Furthermore, should we become aware of fraud or misappropriation of assets, we shall also notify the appropriate enforcement agency, including the local district attorney and sheriff. We will also inform the appropriate level of management of any material errors or violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required by *Government Auditing Standards*, the Louisiana Governmental Audit Guide, and the Single Audit Act. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

(Note: For charter school engagements, the accountant will also notify the Louisiana Board of Elementary and Secondary Education of any errors, misappropriation of funds or fraud that come to his/her attention during the engagement.)

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements, and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures—Compliance As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of (Any Parish Governing Authority's) compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of (Any Parish Governing Authority's) major programs. The purpose of these procedures will be to express an opinion on (Any Parish Governing Authority's) compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration, Fees, and Other Immediately upon completion of the engagement, the auditor shall send a copy of the reporting package to (Any Parish Governing Authority) and the Legislative Auditor (one single-sided unbound copy or one .pdf or .tif file). The reporting package will consist of the data collection form, to be prepared by management, and:

1. An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in conformity with accounting principles generally accepted in the United States and, when applicable, an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole. It is our understanding that these statements will include a schedule of per diem paid to the board members and a schedule of expenditures of federal awards (if applicable). The schedule(s) will be reviewed as part of our audit in an attempt to provide supplemental information assurance on these schedules as part of our audit report.

2. A report on internal control and compliance with laws and regulations material to the financial statements and, when applicable, major federal programs. This report shall describe the scope of testing of internal control and compliance, the results of the tests, and, where applicable, refer to the separate schedule of findings and questioned costs. The state laws and regulations included in this report shall include all of the compliance matters included in the Louisiana Compliance Questionnaire.

3. A report on internal control and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on major federal programs. The report will include an opinion (or disclaimer of opinion) as to whether you have complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program, and, where applicable, refer to the separate schedule of findings and questioned costs.

4. If applicable, a summary schedule of findings and questioned costs.

5. If applicable, a summary schedule of the current status of any prior findings, which you will prepare.

6. Management's corrective action plans, which you will prepare.

7. If applicable, a management letter to convey suggestions and recommendations not suitable for the foregoing reports. We will ask you to respond to any matters included in the management letter and include your response as a part of the issued management letter, or you may place your response to these matters in your corrective action plan.

We will assist you in the preparation of the data collection form and sign, or disclaim, the form. In the preparation of the form should there be any material disagreements, we reserve the right to refuse to sign the form and report such matters to the appropriate federal officials and the Legislative Auditor.

Either the auditor or (Any Parish Governing Authority) shall send a copy of the report, any management letter, and management's corrective action plan, if applicable, to each member of the governing board, each federal grantor agency providing direct federal assistance and the federal cognizant agency, and to each state grantor agency and any state cognizant agency, if applicable.

It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse.

Our audit will include a review of any prior-year suggestions and recommendations and will indicate the extent to which the summary schedule of prior year audit findings is fairly stated. As to any current-year recommendations and suggestions, we will afford you the opportunity to respond to such matters and will include your response(s) in management's corrective action plan.

The audit documentation for this engagement is the property of (CPA Firm's Name), and constitutes confidential information. However, the audit documentation shall be available for inspection by the Legislative Auditor, any successor auditor, and/or any organization authorized by the Louisiana State Board of Certified Public Accountants to perform audit documentation reviews as part of a quality assurance program. We will follow the Legislative Auditor's policy regarding confidentiality of audit/ engagement documentation found at Section 350.02 of the Louisiana Governmental Audit Guide when giving access to audit documentation to any parties other than those previously named individuals and organizations.

Should we become aware of any illegal acts, we shall make our audit documentation available to the local district attorney or any other state or federal enforcement or regulatory agency without liability. The audit documentation shall be retained by (CPA Firm's Name) for a minimum of five years after the issuance of the report.

Subsequent to the issuance of the report, should it be necessary to alter or reissue the report and/or any management letter, (CPA Firm's Name) shall distribute such reissued report and/or management letter in the same manner as the original report and management letter.

We expect to begin our audit on approximately (Date) and to issue our reports no later than (date).

(Name of Engagement Partner) is the engagement partner and is responsible for supervising the engagement and signing the report. It is our understanding that you have assigned (Mr. John Supervisor) of your staff (address and phone number) as your representative during the engagement.

Our fees for all services are related to our standard hourly rates in effect at the time services are performed. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your engagement. Our fee for this engagement, which we estimate, will not exceed $____, including out-of-pocket expenses. This fee is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both our firm and the (Any Parish Governing Authority). Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

If a multi-year engagement is entered into, all outstanding invoices for work performed during any prior engagement will be paid in full before work commences on the current engagement.

The Legislative Auditor will be notified immediately, in writing, if our audit is cancelled or if there are any significant disagreements. The Legislative Auditor will be notified, immediately, in writing if there are any changes in this agreement or if there are any restrictions placed on our staff during the audit that would impact the scope of the audit, which includes the failure to produce required records in a timely manner, or the nature of the tests required under the previously discussed standards. If federally-assisted programs are involved, we are required to notify (the cognizant or oversight agency).

During the course of our audit, it is possible that we may observe opportunities for economies of operation and for improved internal administrative and accounting controls, or we may observe variances with applicable laws and regulations or other matters that should be brought to your attention. Our comments and recommendations concerning such matters, if any, will be conveyed to you in writing.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 20X1 peer review report (or report and letter of comment) accompanies this letter.

You may request that we perform additional nonattest services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Under the provisions of *Government Auditing Standards,* our ability to provide nonattest services may result in an impairment of our independence, and therefore may be limited for the duration of this engagement and for the period covered by this engagement. We will consult those standards and the Louisiana Legislative Auditor to determine whether such an impairment exists, prior to the performance of any nonattest services.

These limited procedures may not meet the needs of all users of audit reports, who may require additional information and assurances on internal control and compliance with laws and regulations. In accordance with *Government Auditing Standards,* you should consider whether additional testing of controls and compliance are necessary to supplement the financial statement audit's coverage of these areas and to meet the reasonable needs of report users. These additional needs are quite often met in the following two ways:

- Supplemental (or agreed-upon) procedures or
- An examination resulting in an opinion.

We are available to discuss the expanded needs of report users, the nature of this expanded work, and the degree to which these type examinations, or other examinations, will meet the needs of the parish and its report users.

Approval We appreciate the opportunity to be of service to (Any Parish Governing Authority), and believe this letter accurately summarizes the significant terms of our engagement. If these comments and arrangements meet with your approval, please sign below and return the agreement to us.

In accordance with the provisions of state law, this engagement agreement must be approved by the Legislative Auditor prior to commencement of our work. Upon your signature and approval, we will seek approval of the Legislative Auditor of this engagement.

We look forward to a pleasant association and the opportunity to provide the services included in this engagement. If you have any questions, please let us know.

Very truly yours,

Certified Public Accountants

By_____

Enclosure

RESPONSE:

This letter correctly sets forth the understanding of (Any Parish Governing Authority)

By_____

Title_____

Date_____

Note – The engagement agreement may include other matters, such as the following:

- Arrangements regarding the conduct of the engagement (for example, timing, agency assistance regarding the preparation of schedules, and the availability of documents)
- Arrangements concerning involvement of specialists or internal auditors, if applicable
- Arrangements involving a predecessor auditor
- Arrangements regarding fees and billing
- Any limitation of or other arrangements regarding the liability of the auditor or the agency, such as indemnification to the auditor for liability arising from knowing misrepresentations to the auditor by management
- Conditions under which access to the audit documentation may be granted to others
- Additional services to be provided relating to regulatory requirements
- Arrangements regarding other services to be provided in connection with the engagement

The engagement agreement for school boards should include the following provisions relating to the schedules of performance measures:

Performance Measures As required by state law, we will perform the procedures enumerated below solely to assist the users in evaluating management's assertions about the performance and statistical data accompanying the basic financial statements of (Any Parish School Board) and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin ____.

We will apply the agreed-upon procedures listed below, and will issue a report thereon, as required by Louisiana Revised Statute 24:514, of and for the year ended June 30, 20X1. Our engagement to apply agreed-upon procedures will be performed in accordance with *Statements on Standards for Attestation Engagements*, issued by the American Institute of Certified Public Accountants, and applicable provisions of *Government Auditing Standards*, published by the United States Comptroller General.

Our report on the application of these procedures will be included and submitted with our report on the school board's basic financial statements.

The sufficiency of the agreed-upon procedures below is solely the responsibility of the school board, the Board of Elementary and Secondary Education, the Louisiana Legislature, and the Legislative Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

Because the agreed-upon procedures below do not constitute an examination, we will not express an opinion on them.

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We will select a random sample of 25 transactions and review supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:

    - Total General Fund Instructional Expenditures,
    - Total General Fund Equipment Expenditures,

- Total Local Taxation Revenue,
- Total Local Earnings on Investment in Real Property,
- Total State Revenue in Lieu of Taxes,
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue.

Education Levels of Public School Staff (Schedule 2)

2. We will reconcile the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1st.

3. We will reconcile the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

4. We will obtain a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We will trace a random sample of 25 teachers to the individual's personnel file and determine if the individual's education level was properly classified on the schedule.

Number and Type of Public Schools (Schedule 3)

5. We will obtain a list of schools by type as reported on the schedule. We will compare the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4)

6. We will obtain a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and trace the same sample used in Procedure 4 to the individual's personnel file and determine if the individual's experience was properly classified on the schedule.

Public School Staff Data: Average Salaries (Schedule 5)

7. We will obtain a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and trace a random sample of 25 teachers to the individual's personnel file and determine if the individual's salary, extra compensation, and the full-time equivalents were properly included on the schedule.

8. We will recalculate the average salaries and full-time equivalents reported in the schedule.

Class Size Characteristics (Schedule 6)

9. We will obtain a list of classes by school, school type, and class size as reported on the schedule and reconcile school type classifications to Schedule 3 data, as obtained in Procedure 5. We will then trace a random sample of 10 classes to the October 1st roll books for those classes and determine if the class was properly classified on the schedule.

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We will obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported in the schedule by (Any Parish School Board).

Graduation Exit Examination (GEE) (Schedule 8)

11. We will obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported in the schedule by (Any Parish School Board). (Note: The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.)

iLEAP Tests (Schedule 9)

12. We will obtain test scores as provided by the testing authority and will reconcile scores as reported by the testing authority to scores reported in the schedule by (Any Parish School Board).

SAMPLE REVIEW/ATTESTATION ENGAGEMENT LETTER
LOCAL GOVERNMENT AGENCY

(Date)

(Addressed to the governing
board of the auditee)

Dear _____:

As certified public accountants licensed to practice in Louisiana, we are pleased that you have engaged our firm to review (Any Parish Drainage District's) financial statements as of June 30, 20X1, and for the year then ended, and to apply certain agreed-upon procedures relating to representations made by the management of the district. This letter will confirm our understanding of the terms and objectives of our engagement, and the nature and limitations of the services we will provide to the (Any Parish Drainage District) as of and for the year ended June 30, 20X1.

Review We will review the annual basic financial statements for the (Any Parish Drainage District) as of and for the year ended June 30, 20X1, as required by Louisiana Revised Statute 24:513, and will issue an accountant's report thereon in accordance with *Statements on Standards for Accounting and Review Services* (SSARs) issued by the American Institute of Certified Public Accountants (AICPA), and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Attestation Report on Agreed-Upon Procedures We will apply the agreed-upon procedures listed in the attached schedule, and will issue a report thereon, as required by Louisiana Revised Statute 24:513, of and for the year ended June 30, 20X1. Our engagement to apply agreed-upon procedures will be performed in accordance with Statements on Standards for Attestation Engagements (SSAEs), issued by the AICPA, and applicable provisions of *Government Auditing Standards*, published by the United States Comptroller General.

Objectives and Limitations The objective of our engagement is to review the district's 20X1 basic financial statements, and to apply the attached agreed-upon procedures to the representations contained in the Louisiana Attestation Questionnaire. The objective of a review is to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles (GAAP). We will not perform an audit of such financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, and, accordingly, we will not express such an opinion on them.

You are responsible for:

- The preparation and fair presentation of the financial statements in accordance with GAAP.
- Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.
- Preventing and detecting fraud.
- Identifying and ensuring that the entity complies with all applicable laws and regulations.
- Making all financial records and related information available to us.
- Providing us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.

The district's management is also responsible for designating an individual with suitable skill, knowledge, or experience to oversee any services we provide; evaluating the adequacy and results of the services performed; and accepting responsibility for such services.

We are responsible for conducting the engagement in accordance with SSARSs issued by the AICPA.

A review includes primarily applying analytical procedures to your financial data and making inquiries of agency management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, we will not express an opinion regarding the financial statements as a whole.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our review procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. Should we become aware of fraud or misappropriation of funds we shall immediately notify, in writing, the Legislative Auditor and the appropriate law enforcement agency, including the local district attorney and sheriff.

The sufficiency of the agreed-upon procedures in the attached schedule is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule, either for the purpose for which this report has been requested, or for any other purpose.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion on them. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

If, for any reason, we are unable to complete our review of your financial statements, we will not issue a report on such statements as a result of this engagement. If, for any reason, we are unable to complete the agreed-upon procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement. Should such situation arise, we will notify you and the Legislative Auditor.

The district's management has acknowledged to us its intent to complete the representations contained in the Louisiana Attestation Questionnaire, found in the Louisiana Governmental Audit Guide. The district's management is responsible for the representations contained in the Louisiana Attestation Questionnaire. Likewise, the district's management accepts responsibility for the district's compliance with the laws and regulations specified in the questionnaire and the effectiveness of the district's internal control over compliance with those laws and regulations.

Due Professional Care A review/attestation may not meet the needs of all report users, who may require additional information and assurances on the financial statements, internal control, and compliance with laws and regulations. In accordance with *Government Auditing Standards,* you should consider whether additional testing of financial statement amounts and presentations, controls, and compliance are necessary to supplement the coverage of these areas and to meet the reasonable needs of report users. These additional needs are quite often met by:

- An audit of financial statements conducted in accordance with *Government Auditing Standard*s,
- Supplemental (or agreed-upon) procedures, or

- An examination of compliance or internal control resulting in an opinion.

If during the performance of our engagement we become aware that a review/attestation will not satisfy the requirements of all report users, laws, and regulations, we will notify you as soon as this comes to our attention. We will then submit another engagement letter for your approval that complies with the applicable requirements, and will submit the engagement to the Legislative Auditor for approval. We will consider all standards that may apply, but in particular, we will be cognizant of:

- State of Louisiana's audit law.
- Audit requirements of *Government Auditing Standards*.
- Office of Management and Budget Circular A-133 audit requirements for a single audit or program-specific audit when federal award expenditures equal or exceed $500,000 for the fiscal year.
- Bond requirements, either to issue bonds or as a bond indenture provision.
- Other contractual requirements.

We are available to discuss the expanded needs of report users, the nature of the expanded examinations, and the degree to which these type examinations, or other examinations, will meet the needs of the district and its report users.

Timing of Engagement It is our understanding that the accounting records will be available _____. We anticipate that the engagement will commence no later than _____ and that the reports will be issued no later than_____.

Reporting Package The reporting package will consist of:

- The independent accountant's review report prepared in accordance with SSARs;
- An attestation report on the performance of the agreed-upon procedures in the attachment, prepared in accordance with SSAEs, issued by the AICPA, and applicable provisions of *Government Auditing Standards* published by the United States Comptroller General;
- A schedule of per diem paid to board members, if applicable;
- Management's corrective action plan for any findings contained in the report, which the district's management will complete;
- A summary schedule of prior findings, which the district's management will complete, if applicable;
- The signed Louisiana Attestation Questionnaire; and
- A data collection form, to be prepared by the district's management.

We will assist you in the preparation of the data collection form, management's corrective action plan, if applicable, and the summary schedule of prior year findings, if applicable.

Recommendations During the course of our engagement, it is possible that we may observe opportunities for economies of operation, for improved internal administrative and accounting controls, or we may observe variances with applicable laws and regulations or other matters that should be brought to your attention. Our comments and recommendations concerning such matters, if any, will be conveyed to you in written form.

Prior Comments and Recommendations Our engagement will include a review of any prior-year suggestions, recommendations, and/or comments included in the summary schedule of prior findings. As

to any current-year recommendations, suggestions, and/or comments, we will afford you the opportunity to respond to such matters and include your response in management's corrective action plan.

Engagement Completion At the completion of our engagement, we will send (Any Parish Drainage District) ___ copies of our reports. In addition, we will send a copy of our reports to each board member, to the chief executive officer, and the chief fiscal officer. We will send either one unbound copy or one .pdf/.tif file of our reports, including the management letter, if applicable, and management's plan of corrective action, if applicable, to the Legislative Auditor. Either the accountant or the district shall send a copy of the report, any management letter, and management's corrective action plan, if applicable, to each federal grantor agency providing direct federal assistance and the federal cognizant agency, and to each state grantor agency and any state cognizant agency, if applicable.

If we find events subsequent to the issuance of our reports that would cause us to reissue the reports, we shall reissue the reports in the same fashion and to the same individuals and organizations as the original reports.

Changes The Legislative Auditor will be notified immediately in writing of the accountant's decision to withdraw from the engagement or if the engagement is cancelled, to include all substantive reasons for the withdrawal or cancellation.

The Legislative Auditor will be notified immediately, in writing, if there are any significant disagreements. The Legislative Auditor will be notified immediately, in writing, if there are any changes in this agreement or if there are any restrictions placed on our staff during the engagement, to include failure to provide the appropriate books and records in a timely manner or denial of access to appropriate books and records, that would impact the scope of the engagement or the nature of the tests required under the previously discussed standards.

Compensation Our fees for all services are related to our standard hourly rates in effect at the time services are performed. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your engagement. Our fee for this engagement, which we estimate, will not exceed $____, including out-of-pocket expenses. This fee is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both our firm and the (Any Parish Drainage District). Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

If a multi-year engagement is entered into, all outstanding invoices for work performed during any prior engagement will be paid in full before work commences on the current engagement.

Engagement Documentation It is understood that our engagement documentation is confidential information. However, we will make our engagement documentation available to the Legislative Auditor, any successor auditor, or any organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance reviews. We will follow the Legislative Auditor's policy regarding confidentiality of audit/engagement documentation found at Section 350.02 of the Louisiana Governmental Audit Guide when giving access to engagement documentation to any parties other than those previously named individuals and organizations.

Should we become aware of any illegal acts, we shall make our engagement documentation available to the local district attorney or any other state or federal enforcement or regulatory agency without liability. We will retain the engagement documentation for five years.

Personnel We have assigned Mr./Ms._____ of our staff (address and phone number,) as the manager for the engagement, and he/she shall exercise overall control and management of our engagement. It is our understanding that you have assigned (Mr. John Supervisor) of your staff (address and phone number) as your representative during the engagement.

External Quality Review Enclosed is our last external quality review, dated (date).

Other Services You may request that we perform additional nonattest services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We may also issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Under the provisions of *Government Auditing Standards*, our ability to provide nonattest services may result in an impairment of our independence, and therefore may be limited for the duration of this engagement and for the period covered by this engagement. We will consult those standards and the Louisiana Legislative Auditor to determine whether such an impairment exists, prior to the performance of any nonattest services.

Approval We appreciate the opportunity to be of service to you, and believe this letter accurately summarizes the significant terms of our engagement. If these comments and arrangements meet with your approval, please sign below and return the agreement to us.

In accordance with the provisions of state law, this engagement agreement must be approved by the Legislative Auditor prior to commencement of our work. Upon your signature and approval, we will seek approval of the Legislative Auditor of this engagement.

We look forward to a pleasant association and the opportunity to provide the services included in this engagement. If you have any questions, please let us know.

Respectfully,

Certified Public Accountants

By_____

Enclosure

RESPONSE:

This letter correctly sets forth the understanding of (Any Parish Drainage District)

By_____

Title_____

Date_____

ATTACHMENT: AGREED-UPON PROCEDURES

With respect to your representations included within the Louisiana Attestation Questionnaire, as of June 30, 20X1 and for the year then ended, we will apply the following agreed-upon procedures:

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding $30,000, or public works exceeding $150,000, and determine whether such purchases were made in accordance with R.S. 38:2211-2296 (the public bid law) or R.S. 39:1551-39:1755 (the state procurement code), whichever is applicable.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

3. Obtain from management a listing of all employees paid during the period under examination.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon Procedure 3 were also included on the listing obtained from management in agreed-upon Procedure 2 as immediate family members.

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

6. Trace the budget adoption and amendments to the minute book.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5 % or more, or if actual expenditures exceed budgeted amounts by 5% or more. (Note, state law exempts from the amendment requirements special revenue funds with anticipated expenditures of $500,000 or less, and exempts special revenue funds whose revenues are expenditure-driven--primarily federal funds.). For agencies that must comply with the Licensing Agency Budget Act only, compare the expenditures of the final budget to actual expenditures to determine if actual expenditures exceed budgeted amounts by 10% or more per category or 5% or more in total.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and: (a) trace payments to supporting documentation as to proper amount and payee, (b) determine if payments were properly coded to the correct fund and general ledger account, and (c) determine whether payments received approval from proper authorities.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:11 through 42:28 (the open meetings law).

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of banks loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees that may constitute bonuses, advance, or gifts.

Prior Comments and Recommendations

12. Review any prior year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

SAMPLE REVIEW/ATTESTATION ENGAGEMENT LETTER
QUASI-PUBLIC AGENCY

(Date)

(Addressed to the governing
board of the agency)

Dear _____:

As certified public accountants licensed to practice in Louisiana, we are pleased that you have engaged our firm to review (Any Quasi-Public Agency's) financial statements as of June 30, 20X1, and for the year then ended, and to apply certain agreed-upon procedures relating to representations made by the management of the agency. This letter will confirm our understanding of the terms and objectives of our engagement, and the nature and limitations of the services we will provide to the (Any Quasi-Public Agency) as of and for the year ended June 30, 20X1.

Review We will review the financial statements for the (Any Quasi-Public Agency) as of and for the year ended June 30, 20X1, as required by Louisiana Revised Statute 24:513, and will issue an accountant's report thereon in accordance with *Statements on Standards for Accounting and Review Services* (SSARs) issued by the American Institute of Certified Public Accountants (AICPA), and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Attestation Report on Agreed-Upon Procedures We will apply the agreed-upon procedures listed in the attached schedule, and will issue a report thereon, as required by Louisiana Revised Statute 24:513, of and for the year ended June 30, 20X1. Our engagement to apply agreed-upon procedures will be performed in accordance with *Statements on Standards for Attestation Engagements* (SSAEs), issued by the American Institute of Certified Public Accountants (AICPA), and applicable provisions of *Government Auditing Standards*, published by the United States Comptroller General.

Objectives and Limitations The objective of our engagement is to review the agency's 20X1 financial statements, and to apply the attached agreed-upon procedures to the representations contained in the *Louisiana Attestation Questionnaire*. The objective of a review is to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles (GAAP). We will not perform an audit of such financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, and, accordingly, we will not express such an opinion on them.

You are responsible for:

- The preparation and fair presentation of the financial statements in accordance with GAAP.
- Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.
- Preventing and detecting fraud.
- Identifying and ensuring that the entity complies with all applicable laws and regulations.
- Making all financial records and related information available to us.
- Providing us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.

The agency's management is also responsible for designating an individual with suitable skill, knowledge, or experience to oversee any services we provide; evaluating the adequacy and results of the services performed; and accepting responsibility for such services.

We are responsible for conducting the engagement in accordance with SSARs issued by the AICPA.

A review includes primarily applying analytical procedures to your financial data and making inquiries of agency management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, we will not express an opinion regarding the financial statements as a whole.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our review procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. Should we become aware of fraud or misappropriation of funds we shall immediately notify, in writing, the Legislative Audtior and the appropriate law enforcement agency, including the local district attorney and sheriff.

The sufficiency of the agreed-upon procedures in the attached schedule is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule, either for the purpose for which this report has been requested, or for any other purpose.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion on them. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

If, for any reason, we are unable to complete our review of your financial statements, we will not issue a report on such statements as a result of this engagement. If, for any reason, we are unable to complete the agreed-upon procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement. Should such situation arise, we will notify you and the Legislative Auditor.

The agency's management is responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge, or experience to oversee any services we provide. The agency's management is also responsible for evaluating the adequacy and results of the services performed, and accepting responsibility for such services.

The agency's management has acknowledged to us its intent to complete the representations contained in the Louisiana Attestation Questionnaire, found in the Louisiana Governmental Audit Guide. The agency's management is responsible for the representations contained in the Louisiana Attestation Questionnaire. Likewise, the agency's management accepts responsibility for the agency's compliance with the laws and regulations specified in the questionnaire and the effectiveness of the agency's internal control over compliance with those laws and regulations.

Due Professional Care A review/attestation may not meet the needs of all report users, who may require additional information and assurances on the financial statements, internal control, and compliance with laws and regulations. In accordance with *Government Auditing Standards,* you should consider whether additional testing of financial statement amounts and presentations, controls, and compliance are necessary to supplement the coverage of these areas and to meet the reasonable needs of report users. These additional needs are quite often met by:

- An audit of financial statements conducted in accordance with *Government Auditing Standard*s,

- Supplemental (or agreed-upon) procedures, or

- An examination of compliance or internal control resulting in an opinion.

If during the performance of our engagement we become aware that a review/attestation will not satisfy the requirements of all report users, laws, and regulations, we will notify you as soon as this comes to our attention. We will then submit another engagement letter for your approval that complies with the applicable requirements, and will submit the engagement to the Legislative Auditor for approval. We will consider all standards that may apply, but in particular, we will be cognizant of:

- State of Louisiana's audit law.

- Audit requirements of *Government Auditing Standards*.

- Office of Management and Budget Circular A-133 audit requirements for a single audit or program-specific audit when federal award expenditures equal or exceed $500,000 for the fiscal year.

- Bond requirements, either to issue bonds or as a bond indenture provision.

- Other contractual requirements.

We are available to discuss the expanded needs of report users, the nature of the expanded examinations, and the degree to which these type examinations, or other examinations, will meet the needs of the agency and its report users.

Timing of Engagement It is our understanding that the accounting records will be available _____. We anticipate that the engagement will commence no later than _____ and that the reports will be issued no later than_____.

Reporting Package The reporting package will consist of:

- The independent accountant's review report prepared in accordance with SSARs;

- An attestation report on the performance of the agreed-upon procedures in the attachment, prepared in accordance with SSAEs, issued by the AICPA, and applicable provisions of *Government Auditing Standards* published by the United States Comptroller General;

- A schedule of per diem paid to board members, if applicable;

- Management's corrective action plan for any findings contained in the report, which the agency's management will complete;

- A summary schedule of prior findings, which the agency's management will complete, if applicable;

- The signed Louisiana Attestation Questionnaire; and

- A data collection form, to be prepared by the agency's management.

We will assist you in the preparation of the data collection form, management's corrective action plan, if applicable, and the summary schedule of prior year findings, if applicable.

Recommendations During the course of our engagement, it is possible that we may observe opportunities for economies of operation, for improved internal administrative and accounting controls, or we may observe variances with applicable laws and regulations or other matters that should be brought to

your attention. Our comments and recommendations concerning such matters, if any, will be conveyed to you in written form.

Prior Comments and Recommendations Our engagement will include a review of any prior-year suggestions, recommendations, and/or comments included in the summary schedule of prior findings. As to any current-year recommendations, suggestions, and/or comments, we will afford you the opportunity to respond to such matters and include your response in management's corrective action plan.

Engagement Completion At the completion of our engagement, we will send (Any Quasi-Public Agency) ___ copies of our reports. In addition, we will send a copy of our reports to each board member, to the chief executive officer, and the chief fiscal officer. We will send either one unbound copy or one .pdf/.tif file of our reports, including the management letter, if applicable, and management's plan of corrective action, if applicable, to the Legislative Auditor. Either the accountant or the agency shall send a copy of the report, any management letter, and management's corrective action plan, if applicable, to each federal grantor agency providing direct federal assistance and the federal cognizant agency, and to each state grantor agency and any state cognizant agency, if applicable.

If we find events subsequent to the issuance of our reports that would cause us to reissue the reports, we shall reissue the reports in the same fashion and to the same individuals and organizations as the original reports.

Changes The Legislative Auditor will be notified immediately in writing of the accountant's decision to withdraw from the engagement or if the engagement is cancelled, to include all substantive reasons for the withdrawal or cancellation.

The Legislative Auditor will be notified immediately, in writing, if there are any significant disagreements. The Legislative Auditor will be notified immediately, in writing, if there are any changes in this agreement or if there are any restrictions placed on our staff during the engagement, to include failure to provide the appropriate books and records in a timely manner or denial of access to appropriate books and records, that would impact the scope of the engagement or the nature of the tests required under the previously discussed standards.

Compensation Our fees for all services are related to our standard hourly rates in effect at the time services are performed. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your engagement. Our fee for this engagement, which we estimate, will not exceed $____, including out-of-pocket expenses. This fee is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both our firm and the (Any Quasi-Public Agency). Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

If a multi-year engagement is entered into, all outstanding invoices for work performed during any prior engagement will be paid in full before work commences on the current engagement.

Engagement Documentation It is understood that our engagement documentation is confidential information. However, we will make our engagement documentation available to the Legislative Auditor, any successor auditor, or any organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance reviews. We will follow the Legislative Auditor's policy regarding confidentiality of audit/engagement documentation found at Section 350.02 of the Louisiana Governmental Audit Guide when giving access to engagement documentation to any parties other than those previously named individuals and organizations.

Should we become aware of any illegal acts, we shall make our engagement documentation available to the local district attorney or any other state or federal enforcement or regulatory agency without liability. We will retain the engagement documentation for five years.

Personnel We have assigned Mr./Ms._____ of our staff (address and phone number,) as the manager for the engagement, and he/she shall exercise overall control and management of our engagement. It is our understanding that you have assigned Mr. John Supervisor of your staff (address and phone number) as your representative during the engagement.

External Quality Review Enclosed is our last external quality review, dated (Date).

Other Services You may request that we perform additional nonattest services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We may also issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Under the provisions of *Government Auditing Standards*, our ability to provide nonattest services may result in an impairment of our independence, and therefore may be limited for the duration of this engagement and for the period covered by this engagement. We will consult those standards and the Louisiana Legislative Auditor to determine whether such an impairment exists, prior to the performance of any nonattest services.

Approval We appreciate the opportunity to be of service to you, and believe this letter accurately summarizes the significant terms of our engagement. If these comments and arrangements meet with your approval, please sign below and return the agreement to us.

In accordance with the provisions of state law, this engagement agreement must be approved by the Legislative Auditor prior to commencement of our work. Upon your signature and approval, we will seek approval of the Legislative Auditor of this engagement.

We look forward to a pleasant association and the opportunity to provide the services included in this engagement. If you have any questions, please let us know.

Respectfully,

Certified Public Accountants

By_____

Enclosure

RESPONSE:

This letter correctly sets forth the understanding of (Any Quasi-Public Agency)

By_____

Title_____

Date_____

ATTACHMENT: AGREED-UPON PROCEDURES

Federal, State, and Local Awards

1. Determine the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

2. For each federal, state, and local award:

    - Randomly select six disbursements from each award administered during the period under examination, provided that no more than 30 disbursements in total will be selected.

    - Trace the six disbursements to supporting documentation as to proper amount and payee.

    - Determine if the six disbursements were properly coded to the correct fund and general ledger account.

    - Determine whether the six disbursements received approval from proper authorities.

    - For federal awards, determine whether the disbursements comply with the applicable specific program compliance requirements summarized in the *Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, determine whether the disbursements comply with the grant agreement, relating to:

        - Activities allowed or unallowed

        - Eligibility

        - Reporting

3. For the programs selected for testing in Item 2 that have been closed out during the period under review, compare the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

Open Meetings

4. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law).

Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at http://app1.lla.state.la.us/llala.nsf, to determine whether a non-profit agency is subject to the open meetings law.

Budget

5. For all grants exceeding five thousand dollars, determine that each applicable federal, state, or local grantor agency/agencies was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

Prior Comments and Recommendations

6. Review any prior year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

SAMPLE REVIEW/ATTESTATION ENGAGEMENT LETTER
CHARTER SCHOOL

(Date)

(Addressed to the governing
board of the charter school)

Dear _____:

As certified public accountants licensed to practice in Louisiana, we are pleased that you have engaged our firm to review (Any Charter School's) financial statements as of June 30, 20X1, and for the year then ended, and to apply certain agreed-upon procedures relating to representations made by the management of the charter school. This letter will confirm our understanding of the terms and objectives of our engagement, and the nature and limitations of the services we will provide to the (Any Charter School) as of and for the year ended June 30, 20X1.

Review We will review the financial statements for the (Any Charter School) as of and for the year ended June 30, 20X1, as required by Louisiana Revised Statute 24:513, and will issue an accountant's report thereon in accordance with *Statements on Standards for Accounting and Review Services* (SSARs) issued by the American Institute of Certified Public Accountants (AICPA), and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Attestation Report on Agreed-Upon Procedures We will apply the agreed-upon procedures listed in the attached schedule, and will issue a report thereon, as required by Louisiana Revised Statute 24:513, of and for the year ended June 30, 20X1. Our engagement to apply agreed-upon procedures will be performed in accordance with *Statements on Standards for Attestation Engagements* (SSAEs), issued by the AICPA, and applicable provisions of *Government Auditing Standards*, published by the United States Comptroller General.

Objectives and Limitations The objective of our engagement is to review the charter school's 20X1 financial statements, and to apply the attached agreed-upon procedures to the representations contained in the Louisiana Attestation Questionnaire. The objective of a review is to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles (GAAP). We will not perform an audit of such financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, and, accordingly, we will not express such an opinion on them.

You are responsible for:

- The preparation and fair presentation of the financial statements in accordance with GAAP.
- Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.
- Preventing and detecting fraud.
- Identifying and ensuring that the entity complies with all applicable laws and regulations.
- Making all financial records and related information available to us.
- Providing us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.

The agency's management is also responsible for designating an individual with suitable skill, knowledge, or experience to oversee any services we provide; evaluating the adequacy and results of the services performed; and accepting responsibility for such services.

We are responsible for conducting the engagement in accordance with SSARs issued by the AICPA.

A review includes primarily applying analytical procedures to your financial data and making inquiries of agency management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, we will not express an opinion regarding the financial statements as a whole.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our review procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. Should we become aware of fraud or misappropriation of funds we shall immediately notify, in writing, the Legislative Audtior and the appropriate law enforcement agency, including the local district attorney and sheriff.

The sufficiency of the agreed-upon procedures in the attached schedule is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule, either for the purpose for which this report has been requested, or for any other purpose.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion on them. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

If, for any reason, we are unable to complete our review of your financial statements, we will not issue a report on such statements as a result of this engagement. If, for any reason, we are unable to complete the agreed-upon procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement. Should such situation arise, we will notify you and the Legislative Auditor.

The charter school's management is responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge, or experience to oversee any services we provide. The charter school's management is also responsible for evaluating the adequacy and results of the services performed, and accepting responsibility for such services.

The charter school's management has acknowledged to us its intent to complete the representations contained in the Louisiana Attestation Questionnaire, found in the Louisiana Governmental Audit Guide. The charter school's management is responsible for the representations contained in the Louisiana Attestation Questionnaire. Likewise, the charter school's management accepts responsibility for the charter school's compliance with the laws and regulations specified in the questionnaire and the effectiveness of the charter school's internal control over compliance with those laws and regulations.

Due Professional Care A review/attestation may not meet the needs of all report users, who may require additional information and assurances on the financial statements, internal control, and compliance with laws and regulations. In accordance with *Government Auditing Standards,* you should consider whether additional testing of financial statement amounts and presentations, controls, and compliance are necessary to supplement the coverage of these areas and to meet the reasonable needs of report users. These additional needs are quite often met by:

- An audit of financial statements conducted in accordance with *Government Auditing Standard*s,
- Supplemental (or agreed-upon) procedures, or
- An examination of compliance or internal control resulting in an opinion.

If during the performance of our engagement we become aware that a review/attestation will not satisfy the requirements of all report users, laws, and regulations, we will notify you as soon as this comes to our attention. We will then submit another engagement letter for your approval that complies with the applicable requirements, and will submit the engagement to the Legislative Auditor for approval. We will consider all standards that may apply, but in particular, we will be cognizant of:

- State of Louisiana's audit law.
- Audit requirements of *Government Auditing Standards*.
- Office of Management and Budget Circular A-133 audit requirements for a single audit or program-specific audit when federal award expenditures equal or exceed $500,000 for the fiscal year.
- Bond requirements, either to issue bonds or as a bond indenture provision.
- Other contractual requirements.

We are available to discuss the expanded needs of report users, the nature of the expanded examinations, and the degree to which these type examinations, or other examinations, will meet the needs of the charter school and its report users.

Timing of Engagement It is our understanding that the accounting records will be available _____. We anticipate that the engagement will commence no later than _____ and that the reports will be issued no later than_____.

Reporting Package The reporting package will consist of:

- The independent accountant's review report prepared in accordance with SSARS;
- An attestation report on the performance of the agreed-upon procedures in the attachment, prepared in accordance with SSAEs issued by the AICPA, and applicable provisions of *Government Auditing Standards* published by the United States Comptroller General;
- A schedule of per diem paid to board members, if applicable;
- Management's corrective action plan for any findings contained in the report, which the charter school's management will complete;
- A summary schedule of prior findings, which the charter school's management will complete, if applicable;
- The signed Louisiana Attestation Questionnaire; and
- A data collection form, to be prepared by the charter school's management.

We will assist you in the preparation of the data collection form, management's corrective action plan, if applicable, and the summary schedule of prior year findings, if applicable.

Recommendations During the course of our engagement, it is possible that we may observe opportunities for economies of operation, for improved internal administrative and accounting controls, or we may observe variances with applicable laws and regulations or other matters that should be brought to

your attention. Our comments and recommendations concerning such matters, if any, will be conveyed to you in written form.

Prior Comments and Recommendations Our engagement will include a review of any prior-year suggestions, recommendations, and/or comments included in the summary schedule of prior findings. As to any current-year recommendations, suggestions, and/or comments, we will afford you the opportunity to respond to such matters and include your response in management's corrective action plan.

Engagement Completion At the completion of our engagement, we will send (Any Charter School) ___ copies of our reports. In addition, we will send a copy of our reports to each board member, to the chief executive officer, and the chief fiscal officer. We will send either one unbound copy or one .pdf/.tif file of our reports, including the management letter, if applicable, and management's plan of corrective action, if applicable, to the Legislative Auditor. Either the accountant or the charter school shall send a copy of the report, any management letter, and management's corrective action plan, if applicable, to each federal grantor agency providing direct federal assistance and the federal cognizant agency, and to each state grantor agency and any state cognizant agency, if applicable.

If we find events subsequent to the issuance of our reports that would cause us to reissue the reports, we shall reissue the reports in the same fashion and to the same individuals and organizations as the original reports.

Changes The Legislative Auditor will be notified immediately, in writing, of the accountant's decision to withdraw from the engagement or if the engagement is cancelled, to include all substantive reasons for the withdrawal or cancellation.

The Legislative Auditor will be notified immediately, in writing, if there are any significant disagreements. The Legislative Auditor will be notified immediately, in writing, if there are any changes in this agreement or if there are any restrictions placed on our staff during the engagement, to include failure to provide the appropriate books and records in a timely manner or denial of access to appropriate books and records, that would impact the scope of the engagement or the nature of the tests required under the previously discussed standards.

Compensation Our fees for all services are related to our standard hourly rates in effect at the time services are performed. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your engagement. Our fee for this engagement, which we estimate, will not exceed $____, including out-of-pocket expenses. This fee is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both our firm and the (Any Charter School). Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

If a multi-year engagement is entered into, all outstanding invoices for work performed during any prior engagement will be paid in full before work commences on the current engagement.

Engagement Documentation It is understood that our engagement documentation is confidential information. However, we will make our engagement documentation available to the Legislative Auditor, any successor auditor, or any organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance reviews. We will follow the Legislative Auditor's policy regarding confidentiality of audit/engagement documentation found at Section 350.02 of the Louisiana Governmental Audit Guide when giving access to engagement documentation to any parties other than those previously named individuals and organizations.

Should we become aware of any illegal acts, we shall make our engagement documentation available to the local district attorney or any other state or federal enforcement or regulatory agency without liability. We will retain the engagement documentation for five years.

Personnel We have assigned Mr./Ms._____ of our staff (address and phone number,) as the manager for the engagement, and he/she shall exercise overall control and management of our engagement. It is our understanding that you have assigned Mr. John Supervisor of your staff (address and phone number) as your representative during the engagement.

External Quality Review Enclosed is our last external quality review, dated (date).

Other Services You may request that we perform additional nonattest services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We may also issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Under the provisions of *Government Auditing Standards*, our ability to provide nonattest services may result in an impairment of our independence, and therefore may be limited for the duration of this engagement and for the period covered by this engagement. We will consult those standards and the Louisiana Legislative Auditor to determine whether such an impairment exists, prior to the performance of any nonattest services.

Approval We appreciate the opportunity to be of service to you, and believe this letter accurately summarizes the significant terms of our engagement. If these comments and arrangements meet with your approval, please sign below and return the agreement to us.

In accordance with the provisions of state law, this engagement agreement must be approved by the Legislative Auditor prior to commencement of our work. Upon your signature and approval, we will seek approval of the Legislative Auditor of this engagement.

We look forward to a pleasant association and the opportunity to provide the services included in this engagement. If you have any questions, please let us know.

Respectfully,

Certified Public Accountants

By_____

Enclosure

RESPONSE:

This letter correctly sets forth the understanding of (Any Charter School)

By_____

Title_____

Date_____

ATTACHMENT: AGREED-UPON PROCEDURES

Administration

1. Obtain a listing of all members of the governing or management board.

2. Randomly select six disbursements made to members of the governing or management board.

   - Trace the six disbursements to supporting documentation as to proper amount and payee.

   - Determine whether the disbursements were incurred while fulfilling duties as a member of the board.

3. Ascertain whether a religious organization shares building space with the school.

   - Determine whether this organization, if any, reimburses the charter school for utility or other payments made on their behalf.

4. Randomly select six disbursements and verify that the payments were made for expenditures incurred by and on behalf of the charter school.

Student Admissions

5. Obtain a copy of the school's admission requirements.

6. Determine the school's jurisdiction as described in the charter agreement.

   - Randomly select a sample of 12 students and verify that documentation supports that the students satisfied the school's admission requirements.

   - Determine that documentation exists to ensure that the 12 students reside within the school's jurisdiction.

Instructional Staff

7. Obtain a listing of the school's instructional staff.

   - Verify that the listings demonstrate that the school's instructional staff comply with the certification requirements found in R.S. 17:3991 (C)(6).

   - Randomly select six names from the listing of instructional staff.

   - Trace the six staff names to documentation indicating that they meet the certification requirements.

Fixed Assets

8. Obtain a listing of fixed assets.

9. Randomly select a sample of six assets and verify the source of funds used to acquire the assets.

Open Meetings Law

10. Examine evidence indicating that agenda for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:11 through 42:28.

Public Bid Law

11. Select all expenditures made during the year that exceeded $150,000, where the expenditures were for the erection, construction, alteration, improvement of a public facility or immovable property, and determine whether such purchases were made in accordance with the public bid law.

State Audit Law

12. Verify that the school provided for a timely report in accordance with R.S. 24:513.

General

13. Obtain the school's approved charter and compare actual operations with those contained in the approved charter.

Prior Comments and Recommendations

14. Review any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

SAMPLE COMPILATION ENGAGEMENT LETTER

(Date)

(Addressed to the governing
board of the entity)

Dear _____:

As certified public accountants licensed to practice in Louisiana, we are pleased that you have engaged our firm to compile (Any Drainage District's) financial statements as of June 30, 20X1, and for the year then ended. This letter will confirm our understanding of the terms and objectives of our engagement and the nature and limitation of the services we will provide to the (Any Parish Drainage District) as of and for the year ended June 30, 20X1.

Compilation We will compile, from information you provide, the annual basic financial statements for the Any Parish Drainage District as of and for the year ended June 30, 20X1, as required by Louisiana Revised Statute 24:513, and will issue an accountant's report thereon in accordance with *Statements on Standards for Accounting and Review Services* (SSARs) issued by the American Institute of Certified Public Accountants (AICPA).

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We will not audit or review the compiled financial statements and, accordingly, will not express an opinion or any other form of assurance on them.

If management elects to omit substantially all disclosures from the financial statements, we will include in our compilation report an additional paragraph that will read as follows:

> Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

If we are not independent, we will include the following as the last paragraph of our report:

> We are not independent with respect to (Any Parish Drainage District).

Our report will be used by you and the Legislative Auditor but, in accordance with state law, the report will become a public record.

Objectives and Limitations The objective of our engagement is to compile the district's 20X1 basic financial statements. We will utilize information that is your representation without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with general accepted accounting principles (GAAP).

You are responsible for:

- The preparation and fair presentation of the financial statements in accordance with GAAP.
- Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

- Preventing and detecting fraud.
- Identifying and ensuring that the entity complies with all applicable laws and regulations.
- Making all financial records and related information available to us.

You are also responsible for all management decisions and functions, and for designating an individual with suitable skill, knowledge, or experience to oversee the services we are to provide. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

We are responsible for conducting the engagement in accordance with SSARs issued by the AICPA.

A compilation differs significantly from a review or an audit of the financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures normally performed in an audit. Accordingly, we will not express an opinion or provide any assurance regarding the financial statements being compiled.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our compilation procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. Should we become aware of fraud or misappropriation of funds we shall immediately notify, in writing, the Legislative Auditor and the appropriate law enforcement agency, including the local district attorney and sheriff.

(Note: For charter school engagements, the accountant will also notify the Louisiana Board of Elementary and Secondary Education of any errors, misappropriation of funds, or fraud that come to his/her attention during the engagement.)

We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

Due Professional Care A compilation may not meet the needs of all report users, who may require additional information and assurances on the financial statements, internal control, and compliance with laws and regulations. In accordance with *Government Auditing Standards,* you should consider whether additional testing of financial statement amounts and presentations, controls, and compliance are necessary to supplement the coverage of these areas and to meet the reasonable needs of report users. These additional needs are quite often met by:

- An audit of financial statements conducted in accordance with *Government Auditing Standard*s,
- Supplemental (or agreed-upon) procedures, or
- An examination of compliance or internal control resulting in an opinion.

If during the performance of our engagement we become aware that a compilation will not satisfy the requirements of all report users, laws, and regulations, we will notify you as soon as this comes to our attention. We will then submit another engagement letter for your approval that complies with the applicable requirements, and will submit the engagement to the Legislative Auditor for approval. We will consider all standards that may apply, but in particular, we will be cognizant of:

- State of Louisiana's audit law.

- Audit requirements of *Government Auditing Standards*.

- Office of Management and Budget Circular A-133 audit requirements for a single audit or program-specific audit when federal award expenditures equal or exceed $500,000 for the fiscal year.

- Bond requirements, either to issue bonds or as a bond indenture provision.

- Other contractual requirements.

We are available to discuss the expanded needs of report users, the nature of the expanded examinations, and the degree to which these type examinations, or other examinations, will meet the needs of the district and its report users.

Timing of Engagement It is our understanding that the accounting records will be available _____. We anticipate that the engagement will commence no later than _____ and that the reports will be issued no later than_____.

Reporting Package. The reporting package will consist of:

- The accountant's compilation report prepared in accordance with SSARS;

- A schedule of per diem paid to board members, if applicable;

- Management's corrective action plan for any findings contained in the report, which management will complete;

- A summary schedule of prior year findings, which management will complete; and

- A data collection form, to be prepared by management.

We will assist you in the preparation of the data collection form, management's corrective action plan, if applicable, and the summary schedule of prior year findings, if applicable.

Recommendations During the course of our engagement, it is possible that we may observe opportunities for economies of operation, for improved internal administrative and accounting controls, or we may observe variances with applicable laws and regulations or other matters that should be brought to your attention. Our comments and recommendations concerning such matters, if any, will be conveyed to you in written form.

Prior Comments and Recommendations Our engagement will include a review of any prior-year suggestions, recommendations, and/or comments included in the summary schedule of prior findings. As to any current-year recommendations, suggestions, and/or comments, we will afford you the opportunity to respond to such matters and include your response in management's corrective action plan.

Engagement Completion At the completion of our engagement, we will send (Any Parish Drainage District) ___ copies of our reports. In addition, we will send a copy of our reports to each board member, to the chief executive officer, and the chief fiscal officer. We will send either one unbound copy or one .pdf/.tif file of our reports, including the management letter, if applicable, and management's plan of corrective action, if applicable, to the Legislative Auditor. Either the accountant or the district shall send a copy of the report, any management letter, and management's corrective action plan, if applicable, to each member of the governing board, each federal grantor agency providing direct federal assistance and the federal cognizant agency, and to each state grantor agency and any state cognizant agency, if applicable.

If we find events subsequent to the issuance of our reports that would cause us to reissue the reports, we shall reissue the reports in the same fashion and to the same individuals and organizations as the original reports.

Changes The Legislative Auditor will be notified immediately in writing of the accountant's decision to withdraw from the engagement or if the engagement is cancelled, to include all substantive reasons for the withdrawal or cancellation.

The Legislative Auditor will be notified immediately, in writing, if there are any significant disagreements. The Legislative Auditor will be notified immediately, in writing, if there are any changes in this agreement or if there are any restrictions placed on our staff during the engagement, to include failure to provide the appropriate books and records in a timely manner or denial of access to appropriate books and records, that would impact the scope of the engagement or the nature of the tests required under the previously discussed standards.

Compensation Our fees for all services are related to our standard hourly rates in effect at the time services are performed. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your engagement. Our fee for this engagement, which we estimate, will not exceed $____, including out-of-pocket expenses. This fee is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both our firm and the (Any Parish Drainage District). Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

If a multi-year engagement is entered into, all outstanding invoices for work performed during any prior engagement will be paid in full before work commences on the current engagement.

Engagement Documentation It is understood that our engagement documentation is confidential information. However, we will make our engagement documentation available to the Legislative Auditor, any successor auditor, or any organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance reviews. We will follow the Legislative Auditor's policy regarding confidentiality of audit/engagement documentation found at Section 350.02 of the Louisiana Governmental Audit Guide when giving access to engagement documentation to any parties other than those previously named individuals and organizations.

Should we become aware of any illegal acts, we shall make our engagement documentation available to the local district attorney or any other state or federal enforcement or regulatory agency without liability. We will retain the engagement documentation for five years.

Personnel We have assigned Mr./Ms._____ of our staff (address and phone number,) as the manager for the engagement, and he/she shall exercise overall control and management of our engagement. It is our understanding that you have assigned Mr. John Supervisor of your staff (address and phone number) as your representative during the engagement.

External Quality Review Enclosed is our last external quality review, dated (date).

Other Services You may request that we perform additional nonattest services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We may also issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Approval We appreciate the opportunity to be of service to you, and believe this letter accurately summarizes the significant terms of our engagement. If these comments and arrangements meet with your approval, please sign below and return the agreement to us.

In accordance with the provisions of state law, this engagement agreement must be approved by the Legislative Auditor prior to commencement of our work. Upon your signature and approval, we will seek approval of the Legislative Auditor of this engagement.

We look forward to a pleasant association and the opportunity to provide the services included in this engagement. If you have any questions, please let us know.

Respectfully,

Certified Public Accountants

By_____

Enclosure

RESPONSE:

This letter correctly sets forth the understanding of (Any Parish Drainage District)

By_____

Title_____

Date_____

APPENDIX C. SAMPLE REPORTS

The following illustrative reports may be found on the AICPA's website at http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/Pages/default.aspx

- Independent Auditor's Report

- Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards

- Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; And Report On The Schedule Of Expenditures Of Federal Awards Required By OMB Circular A-133

The following illustrative reports may be found on the AICPA's website at

http://www.aicpa.org/InterestAreas/FRC/Compilation/Pages/ResourcesforSSARSNo19.aspx

- Independent Accountant's Review Report

- Accountant's Compilation Report

MANAGEMENT LETTER

We have audited the basic financial statements of Example Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated August 15, 20X1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. [and the provisions of OMB Circular A133, if applicable.]

As a part of our examination, we have issued our report on the financial statements, dated xxxx, and our report on internal control and compliance with laws, regulations, contracts, and grants, dated xxxxx.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 20X1-1. (Describe the issue, including criteria, condition, cause, effect, and recommendation. Management should respond to the suggestion within Management's Corrective Action Plan.

Suggestion 20X1-2. (Describe the issue, including criteria, condition, cause, effect, and recommendation. Management should respond to the suggestion within Management's Corrective Action Plan.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendation(s).

[Signature]

[Date]

SAMPLE AGREED UPON PROCEDURES REPORT
ON SCHOOL BOARD PERFORMANCE MEASURES

(City, Parish, and Other Local Public School Boards)

Independent Accountant's Report
On Applying Agreed-Upon Procedures

To the (Management of Any Local Public School Board)

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of (Any Parish School Board) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of (Any Parish School Board) and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education. Management of (Any Parish School Board) is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:

    - Total General Fund Instructional Expenditures,
    - Total General Fund Equipment Expenditures,
    - Total Local Taxation Revenue,
    - Total Local Earnings on Investment in Real Property,
    - Total State Revenue in Lieu of Taxes,
    - Nonpublic Textbook Revenue, and
    - Nonpublic Transportation Revenue.

(Note any difference)

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1st.

(Note any difference)

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

(Note any difference)

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determine if the individual's education level was properly classified on the schedule.

(Note any difference)

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

(Note any difference)

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule and traced the same sample used in Procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

(Note any difference)

Public School Staff Data: Average Salaries (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

(Note any difference)

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

(Note any difference)

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in Procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

(Note any difference)

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by (Any Parish School Board).

(Note any difference)

Graduation Exit Examination (GEE) (Schedule 8)

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by (Any Parish School Board). (Note: The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.)

(Note any difference)

iLEAP Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by (Any Parish School Board).

(Note any difference)

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of (Any Parish School Board), the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

(date)

(signature)

SAMPLE ATTESTATION REPORT

(Governmental Agency)

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the (Management of Any Parish Drainage District)

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of (Any Parish Drainage District) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about (Any Parish Drainage District's) compliance with certain laws and regulations during the [period] ended [date] included in the accompanying Louisiana Attestation Questionnaire. Management of (Any Parish Drainage District) is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding $30,000, or public works exceeding $150,000, and determine whether such purchases were made in accordance with R.S. 38:2211-2296 (the public bid law) or R.S. 39:1551-39:1775 (the state procurement code), whichever is applicable.

Two expenditures were made during the year for materials and supplies exceeding $30,000, and one expenditure was made for public works exceeding $150,000. We examined documentation which indicated that all of these expenditures had been properly advertised and accepted in accordance with the provisions of R.S. 38:2211-2296.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon Procedure 3 were also included on the listing obtained from management in agreed-upon Procedure 2 as immediate family members.

None of the employees included on the list of employees provided by management agreed-upon Procedure 3 appeared on the list provided by management in agreed-upon Procedure 2 except for Jane Q. Doe, employed as a payroll clerk, who is listed as the daughter of John Q. Doe, Commissioner.

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. There were no amendments to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on November 29, 20X1 which indicated that the budget had been adopted by the commissioners of (Any Parish Drainage District). No amendments were made to the budget during the year.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more, or if actual expenditures exceed budgeted amounts by 5% or more. (For agencies that must comply with the Licensing Agency Budget Act only, compare the expenditures of the final budget to actual expenditures to determine if actual expenditures exceed budgeted amounts by 10% or more per category or 5% or more in total).

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%, except that expenditures of the Special Revenue Fund were 20% in excess of amounts budgeted for the year.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:

(a) Trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

(b) Determine if payments were properly coded to the correct fund and general ledger account; and

Five of the payments were properly coded to the correct fund and general ledger account. One payment (check no. XXXX), which should have been coded to materials and supplies in the General Fund, was improperly coded to interest expenditures in the Debt Service Fund.

(c) Determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the accountant and the chairman of the Board of Commissioners. In addition, each of the disbursements were traced to the district's minute book where they were approved by the full commission.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:11 through 42:28 (the open meetings law).

(Any Parish Drainage District) is only required to post a notice of each meeting and the accompanying agenda on the door of the district's office building. Although management has asserted that such documents were properly posted, we could find no evidence supporting such assertion other than an unmarked copy of the notices and agendas.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees that may constitute bonuses, advance, or gifts.

A reading of the minutes of the district for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

Prior Comments and Recommendations

Our prior year report, dated xxxx, did not include any comments or unresolved matters.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of (Any Parish Drainage District) and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

(Date)

(Signature)

SAMPLE ATTESTATION REPORT
(Quasi-Public Agency)

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the (Management of Any Quasi-Public Agency)

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of (Any Quasi-Public Agency), the Legislative Auditor, State of Louisiana, and applicable state grantor agency/agencies solely to assist the users in evaluating management's assertions about (Any Quasi-Public Agency's) compliance with certain laws and regulations during the (period) ended (date) included in the accompanying Louisiana Attestation Questionnaire. Management of (Any Quasi-Public Agency) is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State, and Local Awards

1. Determine the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

   (Any Quasi-Public Agency's) federal award expenditures for all federal programs for the fiscal year follow:

Federal, State, or Local Grant Name	Grant Year	CFDA No. (if applicable)	Amount
Total Expenditures			

2. For each federal, state, and local award, randomly select six disbursements from each award administered during the period under examination, provided that no more than 30 disbursements would be selected.

3. For the items selected in Procedure 2, trace the six disbursements to supporting documentation as to proper amount and payee.

   We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in Procedure 2, determine if the six disbursements are properly coded to the correct fund and general ledger account.

   Five of the payments were properly coded to the correct fund and general ledger account. One payment (check no. XXX), which should have been coded to fixed assets was improperly coded to maintenance.

5. For the items selected in Procedure 2, determine whether the six disbursements received approval from proper authorities.

   Inspection of documentation supporting each of the six selected disbursements indicated approvals from the accountant and the chairman of the board. In addition, each of the disbursements were traced to the (Any Quasi-Public Agency's) minute book where they were approved by the full board.

6. For the items selected in Procedure 2: For federal awards, determine whether the disbursements complied with the applicable specific program compliance requirements summarized in the *Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, determine whether the disbursements comply with the grant agreement, relating to:

Activities allowed or unallowed

We reviewed the previously listed disbursements for types of services allowed or not allowed. Check No. XXX did not comply with the allowability requirements because the service rendered did not meet the goals of the program.

Eligibility

We reviewed the previously listed disbursements for eligibility requirements. Check Nos. XXX and XXX did not comply with the eligibility requirements because the individuals who received the service earned an income that exceeded the program guidelines.

Reporting

We reviewed the previously listed disbursements for reporting requirements. Check No. XXX did not comply with the reporting requirements because it could not be traced to any of the *Request for Advance or Reimbursement Report*s.

7. For the programs selected for testing in Procedure 2 that had been closed out during the period under review, compare the close-out report, when required, with the agency's financial records to determine whether the amounts agree.

   The six disbursements selected included two federal programs that were closed out during the period of our review. We compared the close-out reports for these two federal programs with the agency's financial records. The amounts reported on the close-out reports agreed to the agency's financial records.

Open Meetings

8. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at http://app1.lla.state.la.us/llala.nsf, to determine whether a non-profit agency is subject to the open meetings law.

    (Any Quasi-Public Agency) is only required to post a notice of each meeting and the accompanying agenda on the door of the (Any Quasi-Public Agency's) office building. Although management has asserted that such documents were properly posted, we could find no evidence supporting such assertion other than an unmarked copy of the notices and agendas.

Budget

9. For all grants exceeding five thousand dollars, determine that each applicable federal, state, or local grantor agency/agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

    (Any Quasi-Public Agency) provided comprehensive budgets to the applicable state grantor agencies for the programs mentioned previously. These budgets specified the anticipated uses of the funds, estimates of the duration of the projects, and plans showing specific goals and objectives that included measures of performance.

Prior Comments and Recommendations

10. Review any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

    In the agreed-upon procedures engagement for the year ended (month, day and year), we reported that payments were made without approval from proper authorities and payments made to individuals that did not meet eligibility requirements (CFDA XX.XXX). The comment relating to approval from proper authorities has been resolved by management; however, the comment relating to eligibility requirements has not been resolved by management and was repeated in this report.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of (Any Quasi-Public Agency), the Legislative Auditor (State of Louisiana), and the applicable state grantor agency/agencies and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

(Signature)

(Date)

SAMPLE ATTESTATION REPORT
(Charter Schools)

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the (Management of Any Charter School)

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of (Any Charter School), the Louisiana Legislative Auditor, and the Louisiana Department of Education and/or Louisiana Board of Elementary and Secondary Education, as applicable, solely to assist the users in evaluating management's assertions about (Any Charter School's) compliance with certain laws and regulations during the (period) ended (date) included in the accompanying Louisiana Attestation Questionnaire. Management of (Any Charter School) is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Administration

1. Obtain a listing of all members of the governing or management board.

   Management provided us with the required listing.

2. Randomly select six disbursements made to members of the governing or management board.

   - Trace the six disbursements to supporting documentation as to proper amount and payee.

   We examined supporting documentation for each of the six disbursements selected and found that payment was for the proper amount and made to the correct payee.

   - Determine whether the disbursements were incurred while fulfilling duties as a member of the board.

   We examined supporting documentation for each of the six disbursements and found that payment was for expenses incurred while performing duties required as a board member.

3. Ascertain whether a religious organization shares building space with the school.

   We performed a walk-through of the school and verified that a religious organization is located in the same building as the charter school

   - Determine whether this organization, if any, reimburses the charter school for utility or other payments made on their behalf.

   We verified that the charter school appropriately allocates utility payments to the religious organization, and the religious organization reimburses the charter school each month for those utility payments.

4. Randomly select six disbursements and verify that the payments were made for expenditures incurred by and on behalf of the charter school.

   We examined supporting documentation for each of the six disbursements and found that payment was for expenditures incurred by and on behalf of the charter school.

Student Admissions

5. Obtain a copy of the school's admission requirements.

   Management provided us with the admission requirements.

6. Determine the school's jurisdiction as described in the charter agreement.

   We reviewed the charter agreement and found that the school's jurisdiction coincides with that of the parish school board.

   - Randomly select a sample of 12 students and verify that documentation supports that the students satisfied the school's admission requirements.

   We reviewed the student files of the 12 students selected and verified that each satisfied the school's admission requirements.

   - Determine that documentation exists to ensure that the 12 students reside within the school's jurisdiction.

   We reviewed the student files of the 12 students selected and verified that each student's address and other information contained in the file supports that the student resides within the school's jurisdiction.

Instructional Staff

7. Obtain a listing of the school's instructional staff.

   Management provided us with the required listings.

   - Verify that the listings demonstrate that the school's instructional staff comply with the certification requirements found in R.S. 17:3991 (C)(6).

   The listings demonstrated that the school's instructional staff complied with the certification requirements found in 17:3991 (C)(6).

   - Randomly select six names from the listing of instructional staff appearing on the listing of certified staff.
   - Trace the six staff names to documentation indicating that they meet the certification requirements.

   We selected six names from the listing of instructional staff and verified that the instructional staff files include documentation of certification requirements found in 17:3991 (C)(6)..

Fixed Assets

8. Obtain a listing of fixed assets.

   Management provided us with the required listing.

9. Randomly select a sample of six assets and verify the source of funds used to acquire the assets.

   We traced the six assets to documentation that indicates that four of the assets were acquired with public funds and that the assets are recorded as belonging to the local school board, and that two of the assets were acquired with private donations and are the property of the charter school.

Open Meetings Law

10. Examine evidence indicating that agenda for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:11 through 42:28.

    (Any Charter School) maintains a file of public notices of the agenda for meetings of the governing board. We found such notices for all 10 meetings during the year that were recorded in the minute book.

Public Bid Law

11. Select all expenditures made during the year that exceeded $150,000, where the expenditures were for the erection, construction, alteration, improvement of a public facility or immovable property, and determine whether such purchase were made in accordance with the public bid law.

    One expenditure, which exceeded $150,000, was made for facility improvements. We examined documentation which indicated that the expenditure had been properly advertised and accepted in accordance with the provisions of R.S. 38:2211 through 2259.

State Audit Law

12. Verify that the school provided for a timely report in accordance with R.S. 24:513.

    This review/attestation report, and the report for the prior year (if applicable), is being (was) completed and submitted within six months of the charter school's fiscal year end.

General

13. Obtain the school's approved charter and compare actual operations with those contained in the approved charter.

    Our review of the school's charter, which was approved on (date), and the school's operations found that some operations do not agree with the school's role, scope, and mission as defined in the approved charter:

    (a) According to the approved charter, the school's primary focus is to address student's specific reading problems. We found that the school had shifted its focus to assisting students with special learning problems.

    (b) According to the approved charter, a primary goal of the school is to improve Standard Scores in the sixth, seventh, and eighth grades. A review of the composite scores on the iLEAP test that was administered in the Fall of 1998 with the composite scores of the test that was administered in the Fall of 2000, disclosed a marked decrease in all areas.

    (c) The approved charter requires that the school be served by a management board. We found that the management board was disbanded in August 2000 and that Mr. John Doe is managing the school. Mr. Doe was instrumental in forming the school, but he never served on the management board.

Prior Comments and Recommendations

14. Our prior year report, dated xxxx, did not include any comments or unresolved matters.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of (Any Charter School), the Louisiana Legislative Auditor, and the Louisiana Department of Education and/or the Louisiana State Board of Elementary and Secondary Education, as applicable, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

(Date)

(Signature)

APPENDIX D. SCHEDULES AND DATA COLLECTION FORM

The following are sample schedules required to be included in governmental audit reports.

EXAMPLE PARISH POLICE JURY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 20X1

We have audited the basic financial statements of Example Parish Police Jury as of and for the year ended June 30, 20X1, and have issued our report thereon dated August 15, 20X1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and the provisions of OMB Circular A133. Our audit of the financial statements as of June 30, 20X1 resulted in an unmodified opinion (qualified, adverse, disclaimer).

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weaknesses ☐ Yes ☐ No Significant Deficiencies ☐ Yes ☐ No

Compliance
Compliance Material to Financial Statements ☐ Yes ☐ No

b. Federal Awards

Internal Control
Material Weaknesses ☐ Yes ☐ No Significant Deficiencies ☐ Yes ☐ No

Type of Opinion on Compliance For Major Programs Unmodified ☐ Qualified ☐ Disclaimer ☐ Adverse ☐

Are there findings required to be reported in accordance with OMB Circular A-133, Section .510(a)?

☐ Yes ☐ No

Was a management letter issued? ☐ Yes ☐ No

c. Identification of Major Programs:

CFDA Number (s)	Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: $_____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No

Section II Financial Statement Findings

20X1-1 (DESCRIPTIVE CAPTION) [This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 4 of *Government Auditing Standards*. Auditors should refer to his chapter for guidance on preparing this section of the schedule. If there are no findings, state that no matters were reported.

The findings should include a reference number, as indicated above. The findings should include a descriptive caption. It is also suggested that the finding state the first year that the finding was included in the agency's report. The finding number and descriptive caption will enable identification of the finding throughout the report and in future reports. Audit findings that relate to both the financial statements and federal awards should be reported in both Section II and Section III. However, the reporting in one section may be in summary form, with reference to a detailed reporting in the other section – the reference number and caption facilitate this approach. For example, a material weakness in internal control that affects an entity as a whole, including its federal awards, would generally be reported in detail in this section. Section III would then include the reference to the finding through the identification number and descriptive caption.

Each finding should fully describe the: criteria or specific requirement, condition found, effect, cause, questioned costs, and recommendations.

Management should provide a corrective action plan. If the corrective action plan is in writing, it should be included as part of the report package. As an alternative, the auditor may include management's response in the finding. However, the response must detail the specific actions taken by management or those specific actions intended to be taken by management. If management chooses not to provide a corrective action plan, the finding should so state.]

Section III Federal Award Findings and Questioned Costs

20X1-2 (DESCRIPTIVE CAPTION) [This section identifies the audit findings required to be reported by OMB Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs). Where practical, findings should be organized by federal agency or pass-through entity.

Identify each finding with a reference number and descriptive caption. If there are no findings, state that no matters were reported. Audit findings that relate to both the financial statements and federal awards should be reported in both Section II and Section III. However, the reporting in one section may be in summary with reference by number and caption to the other section. Each finding should fully describe the: criteria or specific requirement, condition found, effect, cause, questioned costs, and recommendations.

Management should provide a corrective action plan. If the corrective action plan is in writing, it should be included as part of the report package. As an alternative, the auditor may include management's response in the finding. However, the response must detail the specific actions taken by management or those specific actions intended to be taken by management. If management chooses not to provide a corrective action plan, the finding should so state.]

EXAMPLE PARISH POLICE JURY
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 20X1

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
20X1-1 (Descriptive Caption) A brief summary of the finding and recommendation.	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to current year finding.
20X1-2 (Descriptive Caption) A brief summary of the finding and recommendation.	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to current year finding.
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
20X1-3 (Descriptive Caption) A brief summary of the finding and recommendation.	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to current year finding. (This narrative should include whether or not a Management Decision has been issued by a federal or pass-through agency.)
SECTION III MANAGEMENT LETTER	
(Descriptive Caption) A brief summary of the finding and recommendation.	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to current year finding.

If no findings have been reported under a specific section, the schedule should so state.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT.

EXAMPLE PARISH POLICE JURY
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 20X1

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT	
20X1-1 (Descriptive Caption) A brief summary of the finding and recommendation.	Management should clearly state the actions taken to date or their intended actions. The actions should be listed in detail. Those responsible should be identified and completion dates for each step should be listed. Should management suggest an alternative remedy, that resolution should be listed in detail and it should be stated whether or not the auditor agrees with the alternative solution. Management should state whether the federal grantor or state pass-through entity, if applicable, has been contacted concerning resolution of the matter.
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
20X1-2 (Descriptive Caption) A brief summary of the finding and recommendation.	Management should clearly state the actions taken to date or their intended actions. The actions should be listed in detail. Those responsible should be identified and completion dates for each step should be listed. Should management suggest an alternative remedy, that resolution should be listed in detail and it should be stated whether or not the auditor agrees with the alternative solution. Management should state whether the federal grantor or state pass-through entity, if applicable, has been contacted concerning resolution of the matter.
SECTION III MANAGEMENT LETTER	
(Descriptive Caption) A brief summary of the recommendation.	Management should clearly state the actions taken to date or their intended actions. The actions should be listed in detail. Those responsible should be identified and completion dates for each step should be listed. Should management suggest an alternative remedy, that resolution should be listed in detail and it should be stated whether or not the auditor agrees with the alternative solution. Management should state whether the federal grantor or state pass-through entity, if applicable, has been contacted concerning resolution of the matter.

Note: If management's corrective action plan is reflected on the Schedule of Findings and Questioned Costs, this schedule may be referenced to that schedule.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT.

[This form is an unaudited informational document prepared by management of the agency.]

LEGISLATIVE AUDITOR
BATON ROUGE LA 70804

DATA COLLECTION FORM
FOR REPORTING ON STATE AND LOCAL GOVERNMENT AND QUASI-PUBLIC AGENCIES

The federal data collection form may be used as a substitute for this form.

Date Submitted ___/____/____

TOTAL ACTUAL COST OF ENGAGEMENT
$_____

RETURN to: Legislative Auditor (ereports@lla.la.gov) or
Attn: Engagement Processing
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

1. Fiscal Year Ending Date For This Submission:
___/____/____

3. Audit Period Covered
☐ Annual
☐ Other _____ to _____

2. Type of Report:
☐ Single Audit ☐ GAO (Yellow Book) Audit
☐ Compilation ☐ Review/Attestation
☐ Program Audit ☐ Other

Total Revenues and other sources, all funds $_____

4. AUDITEE INFORMATION

Auditee Name

Street Address (Number and Street)

Mailing Address (PO No.)

City State Zip

Auditee Contact
Name Title

Telephone Fax

Email (Optional)

5. AUDITOR INFORMATION

Firm Name

Street Address (Number and Street)

Mailing Address (PO No.)

City State Zip

Auditor Contact
Name Title

Telephone Fax

Email (Optional)

Component Units Included Within the Report and for Which No Separate Report Will Be Issued:

_____ _____
_____ _____

If there are no modifications to the auditor's financial opinion, no reported deficiencies in internal control, no reported instances of noncompliance, no management letter, and no prior year findings, check this box and do not complete the rest of the form. ☐

6. FINANCIAL STATEMENTS

a. Type of auditor's opinion on financial statements. ☐ Not Applicable
☐ Unmodified Opinion ☐ Qualified Opinion ☐ Adverse Opinion ☐ Disclaimer of Opinion

b. Is a 'going concern' explanatory paragraph included in the audit report? ☐ Yes ☐ No

c. Do any of the funds have deficit balances? ☐ Yes ☐ No

7. INTERNAL CONTROL

Do the comments on internal control include: ☐ material weaknesses ☐ significant deficiencies

8. COMPLIANCE

Do the comments on compliance include: ☐ criminal acts ☐ fraud and abuse ☐ not applicable

9. CURRENT YEAR MANAGEMENT LETTER (Finding Caption and No.)

_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable

10. SCHEDULE OF CURRENT YEAR FINDINGS/QUESTIONED COSTS (Finding Caption and No.)

_____ $_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ $_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ $_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ $_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ $_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ $_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable

Do any findings address nepotism, ethics violations or related party transactions? ☐ Yes ☐ No
Do any findings address violation of bond indenture covenants? ☐ Yes ☐ No

11. SCHEDULE OF PRIOR YEAR FINDINGS/QUESTIONED COSTS/MANAGEMENT LETTER COMMENTS (Finding/Comment Caption and No.)

_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable
_____ Resolved ☐ Yes ☐ No ☐ No Longer Applicable

CPA SIGNATURE _____ Date_____
AUDITEE SIGNATURE _____ Date _____

AUTHORITATIVE GUIDANCE

The following is a listing of organizations and their publications that may be beneficial to governmental auditors and accountants.

American Institute of Certified Public Accountants (AICPA) 1211 Avenue of the Americas, New York, NY 10036 (www.aicpa.org)

Auditing standards, accounting and review standards, attestation standards, audit and accounting guides, interpretations, and bulletins

United States Government Accountability Office 441 G St., NW, Washington, DC 20548 (www.gao.gov)

Government Auditing Standards

United States Office of Management and Budget Superintendent of Documents, 725 17th Street, NW Washington, DC 20503 (www.whitehouse.gov/omb)

The Single Audit Act.

Catalog of Federal Domestic Assistance

Compliance Supplement for Single Audits

Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*

Circular A-102, *Grants and Cooperative Agreements With State and Local Governments*

Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*

Circular A-122, *Cost Principles for Non-Profit Organizations*

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

Governmental Accounting Standards Board 401 Merrit 7, P.O. Box 5116, Norwalk, CT 06856-5116 (www.gasb.org)

Governmental Accounting and Financial Reporting Standards, Original Pronouncements and Codification

Financial Accounting Standards Board 401 Merrit 7, P.O. Box 5116, Norwalk, CT 06856-5116 (www.fasb.org)

Financial Accounting Standards, Original Pronouncements and interpretations

Government Finance Officers Association 1301 Pennsylvania Avenue, N.W., Suite 309, Washington, D.C., 20004-1714

Governmental Accounting, Auditing, and Financial Reporting

Association of School Business Officials International (ASBO) 11401 North Shore Drive, Reston, VA 20190-4200 (http://www.asbointl.org)

Management and accounting publications for elementary and secondary school systems

National Association of College and University Business Officials One Dupont Circle, Washington, DC 20036 (www.nacubo.org)

College and University Business Administration

Office of the Governor, Division of Administration 1201 N. Third Street, Ste. 7-210 Baton Rouge, LA 70802 (www.doa.louisiana.gov)

Policies and Procedures Manual (see www.doa.louisiana.gov/osrap/publications.htm)

Procurement Manual (see http://www.doa.louisiana.gov/osp/publications/procurementhandbook.pdf)

State Property Control Regulations (see www.doa.louisiana.gov/lpaa)

Louisiana Register, published by the Office of the State Register (see www.doa.louisiana.gov/osr/osr.htm)

Instructions for preparation of budget forms, (see www.doa.louisiana.gov/opb/faf/faf.htm)

Louisiana Board of Regents 1201 North Third Street, Suite 6-200 Baton Rouge, LA 70802 (www.regents.state.la.us)

Policies and Procedures (see www.regents.state.la.us/Finance/fin_policies.htm)

University of Louisiana System Board of Supervisors 1201 North Third Street Suite 7-300 Baton Rouge, LA 70802 (www.uslsystem.net)

Policies and Procedures Memoranda, (see www.uslsystem.net)

Legislative Auditor P.O. Box 94397, Baton Rouge, Louisiana 70804-9397 (www.lla.la.gov)

Accounting, auditing, legal, technical, and best practices information

Society of Louisiana Certified Public Accountants 2400 Veterans Blvd., Suite 500, Kenner, Louisiana 70062 (www.lcpa.org)

Louisiana Governmental Audit Guide, published with the Legislative Auditor's Office

Police Jury Association of Louisiana, 707 North 7th Street, Baton Rouge, Louisiana 70802 (www.lpgov.org)

Police Jury Manual (see www.lpgov.org)

Louisiana Municipal Association 700 North 10th Street, Baton Rouge, La. 70802

Louisiana Municipal Handbook and other publications (see http://www.lma.org/publications)

600. Frequently Asked Questions

Key Concepts

1. Q. What is the role of the Louisiana Legislative Auditor?

A. The Louisiana Legislative Auditor is charged with overseeing the expenditure of public funds in the state of Louisiana. Every year, the Legislative Auditor issues the reports of over 4,000 state and local government and quasi-public agencies (generally, nonprofit organizations that receive state and local public funds). The Legislative Auditor's legal authority is found in Article 3, Section 11 of the Louisiana Constitution, and Louisiana Revised Statutes 24:511-523.

2. Q. Does the Louisiana Legislative Auditor audit all of the 4,000 agencies it oversees?

A. The Louisiana Legislative Auditor examines the records of most state agencies; however, the records of most local government and quasi-public agencies, and approximately 90 state agencies (mostly boards, commissions, levee districts and retirement systems) are examined by independent certified public accounting firms that have been approved by the Legislative Auditor.

3. Q. What is the Legislative Audit Advisory Council?

A. The Legislative Audit Advisory Council (LAAC) is a joint legislative committee composed of five members of the Louisiana House of Representatives and five members of the Louisiana Senate. LAAC oversees the operations of the Louisiana Legislative Auditor. LAAC also meets to resolve audit findings contained in audits issued by the Louisiana Legislative Auditor and independent certified public accounting firms performing examinations in lieu of the Legislative Auditor. LAAC may hold hearings; subpoena witnesses; administer oaths; compel the production of books, documents, records and papers, public and private; order an agency's books to be examined; and petition, directly or through the courts, writs of mandamus.

4. Q. What is the difference between a Single Audit and a regular audit?

A. A Single Audit is a type of audit that is performed when an agency expends $500,000 or more in federal funds. Additional procedures are performed during a Single Audit to determine whether the expenditure of these funds was done in accordance with federal law.

5. Q. What is the difference between generally accepted auditing standards and generally accepted government auditing standards?

A. An auditor who performs an audit in accordance with generally accepted government auditing standards prepares a report that is issued with the audited financial statements on the auditor's consideration of the agency's internal control over financial reporting and tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. If findings are noted, a schedule of findings accompanies this report. An audit that is performed in accordance with generally accepted auditing standards does not include this report or schedule of findings.

6. Q. What are internal controls?

A. Internal controls are an agency's policies and procedures that are put in place to ensure that its financial transactions are processed and reported in a timely manner and in accordance with laws and regulations and generally accepted accounting principles.

7. Q. Why is it so important that an agency's financial activity be reported in accordance with generally accepted accounting principles?

A. Reporting an agency's financial activity in accordance with generally accepted accounting principles ensures some degree of consistency and comparability between the agency's financial statements and other like agencies. Reporting an agency's financial statements in accordance with generally accepted accounting principles is also the law in the state of Louisiana.

8. Q. I keep hearing about materiality as it relates to audits. What exactly is materiality?

A. Materiality is a dollar threshold that an auditor calculates in order to help him/her determine what errors or findings may cause an agency's financial statements to be misstated or incorrect to such an extent that they would be misleading. Quantitative and qualitative factors go into the calculation of materiality. Problems observed in transactions types that may not necessarily be of a high dollar amount (such as travel expenditures) may indicate further problems in the way that management is administering the public funds it receives, and may require that the auditor expand his/her procedures (in other words, perform more tests) to determine whether there are problems in other areas. The calculation of materiality is the judgment of the auditor, and may vary from auditor to auditor. The dollar threshold of materiality is not something an auditor generally shares with the agency he or she is auditing.

Reporting Requirements

9. Q. What is the difference between an audit, a review/attestation, and a compilation engagement?

A. An audit engagement is one in which a CPA renders an opinion on an agency's financial statements. The CPA states whether or not, in his opinion, based on the results of his/her audit, he or she feels that the financial statements present fairly, in all material respects, the financial position of an entity for the period of time in which the audit covers—usually an agency's fiscal year. An auditor who performs an audit in accordance with generally accepted government auditing standards prepares a report that is issued with the audited financial statements on the auditor's consideration of the agency's internal control over financial reporting and tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. If findings are noted, a schedule of findings accompanies this report.

A review/attestation engagement has two parts: the review portion and the attestation portion. In the review portion of the engagement, the CPA performs limited tests of an agency's financial records and states in the review report whether anything came to his/her attention during the review that would indicate that the financial statements were not presented, in all material respects, in accordance with generally accepted accounting principles. In the attestation portion of the engagement, the CPA tests the agency's compliance with laws and regulations that the Louisiana Legislative Auditor has determined are important for the agency to comply with, and reports on the results of his/her tests.

A compilation engagement is one in which the CPA compiles, or puts together, the financial statements for the agency. The CPA gives no assurance as to whether or not the financial statements are correct in a compilation report.

The type of report an agency is required to provide to the Louisiana Legislative Auditor is based on the amount of revenues from all sources it receives during the year. This includes sources such as bond proceeds, insurance proceeds, and additions to fiduciary funds. The table below shows the type of report that an agency must provide for:

Amount of revenues and other sources received in a fiscal year	**Type of engagement required**
$50,001 - $199,999	Compilation
$200,000 - $499,999	Review/attestation
$500,000 and over	Audit

10. Q. What does the term "revenues and other sources" mean?

A. "Revenues and other sources" means all revenues from all sources that an agency receives, such as the revenues an agency receives from operations, bond proceeds, insurance proceeds, and additions to agency funds. There are some exceptions, such as donated funds received by a nonprofit agency that are not commingled with public funds. If you have any questions about whether monies your agency receives would be considered "revenues and other sources" for determining your agency's reporting requirement to the Louisiana Legislative Auditor, please call (225) 339-3802 or (225) 339-3813.

11. Q. If an agency receives $50,000 or less in revenues and other sources, what is its reporting requirement to the Louisiana Legislative Auditor?

A. An agency that receives $50,000 or less in revenues and other sources must provide basic financial statements to the Louisiana Legislative Auditor, along with a notarized affidavit that states that the financial statements are true and correct, and the agency received $50,000 or less in revenues and other sources during the fiscal year. The financial statement and affidavit and revenue certification forms are available on the Legislative Auditor's website at http://www.lla.la.gov/localgovernment/audittools/sworn-financial-statements/

12. Q. My agency usually receives less than $500,000 in public funds. However, this year, due to an unusual transaction, my agency received slightly more than $500,000 in public funds. Must we provide for an audit in the year of the unusual transaction?

A. An agency must provide for an annual financial report that is commensurate with the amount of revenues and other sources that the agency received during the fiscal year. If that amount equals or exceeds $500,000, the agency must provide for audited financial statements for that fiscal year, even if the reason that revenues equal or exceed $500,000 was unusual.

13. Q. My agency usually receives less than $500,000 in public funds. However, this year, my agency received FEMA funds due to a hurricane that hit my area of the state. With these FEMA funds, my agency received slightly more than $500,000 in public funds. Must we provide for an audit in the year we received the FEMA funds?

A. If an agency's receipt of FEMA funds causes the amount of revenues and other sources it receives to equal or exceed $500,000 during the fiscal year, the agency must provide for an annual audit.

14. Q. My agency usually receives less than $500,000 in public funds. However, this year, my agency issued bonds. With the receipt of the bond proceeds, my agency received more than $500,000. Must we provide for an audit in the year we received bond proceeds?

A. If an agency's receipt of bond proceeds causes the amount of revenues and other sources it receives to equal or exceed $500,000 during the fiscal year, the agency must provide for an annual audit.

15. Q. Are additions to fiduciary funds considered to be "revenues and other sources" for the purpose of computing the reporting requirement?

A. Yes. Additions to fiduciary funds are considered to be revenues and other sources for the purpose of computing an agency's reporting requirement.

16. Q. Are the federal funds a not-for-profit agency receives included within the scope of an audit, review/ attestation, or compilation engagement performed in order to comply with the state audit law?

A. Yes. Once a not-for-profit agency receives or expends any local or state assistance in any fiscal year, it must provide a report to the Legislative Auditor. And if the not-for-profit receives public funds from the federal government, the federal funds must be included within the scope of the engagement of the report provided to the Legislative Auditor, even if those funds were received directly from the federal government, and not passed through a local or state government agency.

A not-for-profit agency that receives only direct federal funds, and no local or state assistance, is not required to report to the Legislative Auditor. In addition, a not-for-profit organization that must report to the Legislative Auditor is not required to include the funds it receives from private sources (including donations) in the report it submits to the Legislative Auditor, unless the private funds are commingled with the public funds (local or state assistance) the agency receives. If the funds are commingled, then all are considered to be public funds, and are to be included in the not-for-profit organization's annual financial report to the Legislative Auditor.

All funds that a state or local government agency receives are considered to be public funds; therefore, all funds that a state or local government agency receives are to be included within the scope of any audit, review/attestation, or compilation engagement performed to fulfill the agency's

If you have any questions about your reporting requirement to the Louisiana Legislative Auditor, please call (225) 339-3813.

17. Q. This is the first year that my agency has received state or local funds. What should I do to fulfill my reporting requirements to the Louisiana Legislative Auditor?

A. Call the Louisiana Legislative Auditor at (225) 339-3813. You will be asked for contact and other information that will allow the Legislative Auditor's staff to set your agency up in our database. You will then receive instructions on what type of report you should submit to the Louisiana Legislative Auditor, and the deadline for the report.

18. Q. My agency receives less than $200,000 in state and/or local funds annually, and is required by R.S. 24:513 to provide for compiled financial statements. However, my grantor agency requires an audit. Which report am I required to provide to the Legislative Auditor?

A. The reporting requirements in R.S. 24:513 are *minimum* reporting requirements. If a report with a higher level of assurance than is required by the audit law is required by an outside party such as a grantor or bond indenture, the agency is expected with provide for the report with the higher level of assurance.

19. Q. My agency receives less than $200,000 in state and/or local funds annually, and is required by R.S. 24:513 to provide for compiled financial statements. However, my agency's enabling legislation requires that my agency provide for an audit. Which report am I required to provide to the Legislative Auditor?

A. The Legislative Auditor's legal counsel has opined that the word "audit" used through the Louisiana Revised Statutes should be defined as per the requirements of R.S. 24:513. There are a few exceptions, such as agencies whose reporting requirement to the Louisiana Legislative Auditor falls under R.S. 17:3390(D). However, most agencies should use R.S. 24:513 to determine their reporting requirement to the Louisiana Legislative Auditor, unless required to provide for a higher level of assurance by a grantor, bond indenture, or other outside party.

20. Q. My government or quasi-public agency receives less than $200,000 in state and/or local funds annually, and is required by R.S. 24:513 to provide for compiled financial statements. However, I wish to provide for an audit that is not performed in accordance with Yellow Book standards. May I do so?

A. The Legislative Auditor requires that all engagements in which the independent accountant or auditor is required by R.S. 24:513 to give assurance on the financial statements (audit or review/attestation engagement) be performed in accordance with generally accepted government auditing standards (GAGAS or Yellow Book standards). Because a compilation provides no assurance from the accountant performing the engagement, and an audit performed in accordance with generally accepted auditing standards (GAAS) does, the Legislative Auditor will accept a GAAS audit from agencies that receive less than $200,000 in state and/or local government funds.

21. Q. I am a justice of the peace or constable who receives very little in the way of public funds, and most of it is retained for my salary. Why do I have a reporting requirement to the Louisiana Legislative Auditor?

A. Justices of the peace and constables are elected officials who receive public funds, and are required by the audit law to provide an annual financial report to the Louisiana Legislative Auditor. Justices of the peace and constables also are specifically required to report to the Louisiana Legislative Auditor by R.S. 24:513 J(1)(c)(i)(cc)

22. Q. I received a letter from the Louisiana Legislative Auditor saying that my agency needs to report to them. My agency no longer receives state or local funds. What do I do?

A. Contact the Louisiana Legislative Auditor at (225) 339-3813. You may be requested to provide additional information, such as written confirmation that your agency no longer receives public funds.

23. Q. My agency received state and/or local government funds, but the Louisiana Legislative Auditor has never contacted me to tell me that I need to report to them. Does that mean I don't have to report to them?

A. The reporting requirement to the Louisiana Legislative Auditor is triggered by the receipt of public funds, not notification by the Legislative Auditor that an agency must report to it. Although the Louisiana Legislative Auditor regularly reviews documents such as the state appropriations acts and state expenditure reports to identify agencies that must report to it, it is impossible to identify every agency that has a reporting requirement to the Legislative Auditor, especially if the agency receives local government funds. If you believe your agency is required to report to the Louisiana Legislative Auditor, or are not sure if you do, please call (225) 339-3813.

CPA Firm Approval

24. Q. How does a CPA firm obtain approval to perform examinations under R.S. 24:513?

A. Contact the Louisiana Legislative Auditor at (225) 339-3802 for the requirements for CPA firm approval. The CPA firm will be asked to provide information about his firm and those persons who will be performing the examinations under R.S. 24:513.

25. Q. I am an agency that wishes to use a CPA firm who is not approved by the Legislative Auditor. What should I do?

A. Ask the CPA to contact the Louisiana Legislative Auditor at (225) 339-3802 for requirements for CPA firm approval.

26. Q. I am an out-of-state firm that wishes to perform engagements for governmental and nonprofit clients in the state of Louisiana. How do I obtain approval?

A. Contact the Louisiana Legislative Auditor at (225) 339-3802 for the requirements for CPA firm approval.

27. Q. Does the Legislative Auditor have a list of approved CPA firms? How may I obtain this list?

A. The list of approved CPA firms may be found on the Legislative Auditor's website at http://www.lla.la.gov/stategovernment/approvedcpas. The list is sorted by parish and is in an Excel file that may be downloaded by the user.

28. Q. I am a practitioner and want to be approved to perform compilations only. Is this possible?

A. Yes. For further information, contact the Louisiana Legislative Auditor at (225) 339-3802.

29. Q. I have recently set up a new CPA firm and I have not yet had a peer review. Will this be an impediment to my performing engagements for the Legislative Auditor?

A. Before approving a CPA firm, the Legislative Auditor will ask for a copy of the firm's most recent peer review. After approval, each CPA firm will be required to provide its subsequent peer reviews to the Legislative Auditor upon completion. If a newly established CPA firm has not had its first peer review, the CPA firm will be asked to provide confirmation that it is enrolled in the LCPA or AICPA peer review program; and will be required to provide the Legislative Auditor with a copy of its first peer review upon completion.

Engagements

30. Q. I got a letter from the Louisiana Legislative Auditor saying that they need an engagement approval form. How do I respond to the letter?

A. These letters are usually routine letters that are sent to agencies to remind them that their fiscal year has ended and they need to engage an auditor. The agency should follow the instructions in the letter. If the letter is the third or fourth notice, and the agency has been delayed in retaining an auditor, you should call the Louisiana Legislative Auditor at (225) 339-3802 or (225) 339-3813.

31. Q. I am a practitioner and have a signed engagement agreement between my firm and the governmental agency I am auditing. Do I send in the engagement agreement to the Louisiana Legislative Auditor for approval?

A. The engagement agreement is a contract between the practitioner and the governmental agency. The Legislative Auditor does not approve engagements from the engagement agreement; our

office requires that you send in the engagement approval form, available on our website at http://204.196.254.19/llaengagementapprval.nsf/engagementform1.

32. Q. There used to be an engagement approval form on the Legislative Auditor's website that I could submit by fax. What happened to it?

A. In order to ensure uniformity and efficiency in the engagement approval process, the Louisiana Legislative Auditor made the decision that all engagement approval forms should be submitted electronically through the online form available on the Legislative Auditor's website at http://204.196.254.19/llaengagementapprval.nsf/engagementform1.

33. Q. The standards require that the auditor/independent accountant obtain an engagement agreement for audit engagements; the standards recommend, but do not require, that the accountant obtain an engagement agreement for review, attestation, and compilation engagements. What does the Legislative Auditor's office require?

A. Submitting an engagement approval form is a representation to the Legislative Auditor that a signed engagement agreement exists between the auditor/accountant and the agency for all engagements that are approved by the Legislative Auditor's office prior to performance—audit, review/attestation, and compilation engagements. Therefore, the Legislative Auditor requires that the auditor/accountant obtain an engagement agreement for audit, review/attestation, and compilation engagements.

34. Q. Does the CPA send in the engagement approval form, or does the agency?

A. The CPA normally is more familiar with the process of submitting the engagement approval form, and therefore usually sends it in. However, the agency may send in the engagement approval form if there is a signed engagement agreement that has been executed between the CPA firm and the agency.

35. Q. I sent in an engagement approval form for a compilation. Due to an increase in the funds received, I need to change the engagement to an audit. How do I do this?

A. The agency or the auditor needs to send in an amended engagement approval form. It would be best to notify the Legislative Auditor's staff by calling (225) 339-3802 or (225) 339-3813 before sending in the amended engagement approval form so the Engagement Processing Section will not think the form was sent in error as a duplicate of the previously-approved engagement.

36. Q. I am a newly elected public official, taking office in January. My agency has a 6/30 year end. I am certain that the prior administration misappropriated public funds. I do not want any findings associated with the old administration in the audit report of my new administration. May I engage a CPA firm to perform an audit on the portion of the fiscal year that pertains to the old administration and a separate audit on the portion of the fiscal year that pertains to my new administration?

A. What you are describing is referred to as a "cut-off audit." Cut-off audits are not approved by the Louisiana Legislative Auditor. A local auditee must provide for a financial report for the agency's entire fiscal year, not for part of it. In addition, the audit is on the office, not on the person holding the office. If significant findings from a prior administration are included in a new administration's audit report, an appropriate response from the new administration is that controls have been put into place to ensure that the problems from the old administration are not repeated. Then, the new administration should follow through to ensure that these problems are ***not*** repeated. If the findings are corrected by the new administration, this will be reported in the subsequent year's audit.

37. Q. What is the procedure for approving an agreed-upon procedures engagement?

A. The difference between the approval process for a statutorily required engagement and an agreed-upon procedures engagement is that the agency or auditor sends in the physical engagement agreement for approval of an agreed-upon procedures engagement, not the engagement approval form. The reason for this is to ensure that the agreed-upon procedures that will be performed do not duplicate the procedures that would normally be performed during the course of the statutorily required engagement.

38. Q. Does the Legislative Auditor approve all engagements between a CPA firm and a local government or quasi-public agency?

A. The Legislative Auditor approves all engagements between CPA firms and local government and quasi-public agencies that are performed in accordance with audit, accounting and review, and attestation standards, and whose end product is a report, with the exception of the following:

- University foundations and facilities corporations, as defined in R.S. 17:3390.B.
- State agency engagements that are not the state agency's statutorily required engagement, unless the Legislative Auditor engages an ICPA to perform the state agency's statutorily required engagement
- Agreed-upon procedures engagements for HUD REAC submissions
- Compilation engagements that are performed by an ICPA in order to facilitate the statutorily required review/attestation or audit engagement of a state or local government or quasi-public agency
- Compilation engagements performed by a CPA for an agency that receives less than $50,000 in public funds

Although the Legislative Auditor does not approve the engagements for university foundations and facility corporations, Louisiana Revised Statute 17:3390 requires the auditors of these agencies to provide a copy of the audit reports to the Legislative Auditor when they are complete.

Although not required statutorily, we ask that ICPA's performing agreed-upon procedures engagements for state agencies to provide a copy of these reports to the Legislative Auditor when they are complete.

39. Q. My agency is hiring a CPA to perform a compilation, but my agency receives $50,000 in public funds. Is the Legislative Auditor required to approve the engagement?

A. No.

40. Q. What does the Louisiana Legislative Auditor do when they receive an engagement approval form?

A. Legislative Auditor staff reviews the engagement to determine whether the agency is in our database; whether the ICPA has been approved by our office; and whether there is a change of ICPA from the previous year's engagement. When there is a change of ICPA in an audit or review/attestation engagement, Legislative Auditor staff contacts the agency and prior ICPA to determine the reason for the change in ICPA. The reason this is done is that the Legislative Auditor does not want the agency to "opinion shop," or try to find an ICPA who will "tone down" findings or render a better opinion on the financial statements than the previous ICPA, when this is not justified. Legislative Auditor staff may also contact the agency and/or ICPA to confirm contact information such as addresses and telephone numbers.

41. Q. Will I receive a confirmation for an engagement that is sent in? If I don't receive a confirmation within a few days, what should I do?

A. A confirmation is sent by e-mail to the party who sent the engagement approval form online. If a confirmation is not received by the person who sent it within one or two days of submitting the approval form, contact Legislative Auditor staff at (225) 339-3813 to find out if the approval form has been received. During times in which the Louisiana Legislative Auditor receives the bulk of its reports (late December/early January and late June/early July), or if there is a change of CPA, this process may take a few days longer.

42. Q. I do not want to hire my current auditor for next year's audit. What do I do?

A. An agency is free to change auditors. However, the Legislative Auditor will contact the agency and the prior ICPA firm to determine the reason for the change in auditors. The Legislative Auditor does this to discourage the agency from "opinion shopping," or hiring a new auditor because the agency did not like the prior auditor's opinion or findings.

43. Q. I do not want to retain my current auditor for my next year's audit, but he has a contract for one more year. What do I do?

A. An engagement agreement is a legally binding contract. If an agency wishes to cancel the engagement agreement, the agency should consult the agency's legal counsel. The Louisiana Legislative Auditor will not cancel an engagement agreement upon the unilateral request of one party to the engagement, unless there are extenuating circumstances, such as non-performance of the engagement by the ICPA.

44. Q. The same audit firm has been auditing my agency for many years, and I am happy with their work. However, isn't it a good idea to change audit firms every few years?

A. Although it is comfortable to have the same auditor year after year, especially when the relationship is good between the auditor and the agency, there are legitimate reasons for an agency to change auditors after several years. One is that an auditor of many years may have lost his or her objectivity regarding the agency through familiarity, and may unintentionally miss an issue that should be reported. Another is that a fresh pair of eyes may detect issues that the current auditor misses. Although the Legislative Auditor does not require local government and quasi-public agencies to change auditors on a regular basis, we support an agency's policy regarding this.

45. Q. Am I required to bid out audit services?

A. A contract for an audit is a professional services contract, and local governments are not required to bid out professional services contract. However, the Legislative Auditor does encourage agencies to bid out their audit contract.

46. Q. I am a newly elected official and want to hire a new audit firm to perform my agency's audit. Am I required to retain the audit firm from the old administration if there is a multi-year contract that extends into my administration? May I sign a contract with an audit firm before I take office?

A. If a newly elected official wishes to cancel a multi-year audit engagement that was entered into under a previous administration, they should consult with their legal counsel to determine whether they may do so. They must also contact the Legislative Auditor. However, the new administration may not enter into any contract for the agency until they actually take office.

47. Q. My audit client has not paid my prior year audit fees. May I engage the client for the current year audit?

A. If you have a payment plan in place with the agency and you feel reasonably certain the agency will complete payment on the prior audit before you have to sign the audit report for the new audit, then you may engage the client. However, an ICPA may not sign an audit, review, or attestation report if he lacks independence regarding the agency, and being a creditor of an agency would impair the ICPA's independence regarding the agency.

48. Q. My agency does not have the money to hire an auditor. Will the Legislative Auditor perform my audit at no charge?

A. The agency that cannot pay for its statutorily required audit and wishes the Legislative Auditor to perform it must make a written request to the Legislative Audit Advisory Council for approval.

49. Q. I am not happy with the fees that my auditor has charged. What is my recourse?

A. The Legislative Auditor will not normally intrude upon the fee arrangements between a local government or quasi-public agency and their auditor. The agency should contact the auditor directly to discuss any questions about their fee arrangements.

If an agency feels the auditor is charging too much, the agency should ask the auditor if there is assistance that the agency may provide to the auditor during the course of the engagement that would lower the audit fee. The agency may also wish to contact other agencies of similar size to determine whether the fee their auditor is charging is unreasonably high.

The agency should keep in mind that an inexpensive audit is not necessarily a bargain. An auditor who charges more may also be giving the agency advice regarding its operations during the course of the audit that may be valuable to the agency.

If after following these steps the agency still feels that the auditor charges too much, the agency is always free to engage another auditor in subsequent years.

State Agencies

50. Q. I am a state board that is required to report to the Louisiana Legislative Auditor. May I hire my own auditor?

A. The Legislative Auditor performs the audits of most state agencies with Legislative Auditor staff. There are, however, a few agencies, mostly boards and commissions, levee districts, and retirement systems, for which the Legislative Auditor does not have sufficient staff to perform the engagements. These agencies' engagements are performed by ICPAs, but are different from local government agencies in that the Legislative Auditor arranges for the audit or agreed-upon procedures engagement through an SFP process.

A state agency that receives between $50,001 and $199,999 in public funds may contract with a CPA firm approved by the Louisiana Legislative Auditor to perform a compilation engagement. And, a state agency that receives $50,000 or less may either prepare its own annual financial report package to submit to Office of Statewide Reporting and Accounting Policy and the Louisiana Legislative Auditor, or hire an outside CPA firm to prepare the package, at the state agency's own discretion.

The state agency should call (225) 339-3832 if there are any questions about the process.

51. Q. I am a state board. How do I know whether or not I am fulfilling my reporting requirement to the Louisiana Legislative Auditor?

A. Although many boards and commissions are audited by ICPAs, many boards and commissions are included within the scope of the Louisiana Legislative Auditor's audit of the board's or commission's oversight agency. For further information, call (225) 339-3832.

Reporting Questions

52. Q. Should the auditor's opinion be modified if management of the local government chooses not to present a management's discussion and analysis (MD&A) statement with the financial statements?

A. The MD&A statement is required supplementary information under GASB 34; however, it does not change the standards of financial accounting and reporting used for the preparation of the entity's basic financial statement, and therefore does not affect the auditor's opinion on the fairness of presentation of the financial statements in conformity with generally accepted accounting principles (AU 730). Therefore, the opinion need not be modified if management chooses to omit the MD&A; however, the auditor's opinion should note the omission of the MD&A in an additional explanatory paragraph.

53. Q. Do the audits of all agencies need to be performed in accordance with generally accepted government auditing standards (GAGAS)?

A. Audits performed for agencies that receive $200,000 or more in public funds must be performed in accordance with generally accepted auditing standards (GAAS) or GAGAS. The Louisiana Legislative Auditor will accept audit reports performed in accordance with generally accepted auditing standards or GAAS for university foundations and facilities corporations, and agencies that receive less than $200,000 in public funds.

54. Q. My government or quasi-public agency's records have been destroyed. Am I still required to provide for my statutorily required report to the Louisiana Legislative Auditor?

A. The Legislative Auditor has no authority to waive an agency's reporting requirement. However, an agency whose records have been destroyed will be asked to provide an affidavit to the Legislative Auditor affirming that they will not be able to provide their statutorily required report. The affidavit will be accepted in lieu of the agency's statutorily required report, and will be posted to the Legislative Auditor's website in order to maintain a complete record of the agency's reports.

55. Q. I am an auditor and I have decided that I will have to render a disclaimed or adverse opinion on the financial statements of the agency I am auditing. What are the consequences to an agency of submitting an audit report with a disclaimed or adverse opinion?

A. When a disclaimed or adverse opinion is rendered on financial statements, the auditor is stating that he does not know if the financial statements are materially correct (disclaimed) or he does not believe that the financial statements are materially correct (adverse). Neither of these opinions is desirable, and in fact, the Legislative Auditor may consider an agency that submits a report with a disclaimed or adverse opinion to be in noncompliance with the audit law. The agency may be asked to give additional information regarding the reason for the disclaimed or adverse opinion, and may also be asked to provide a corrective action plan to resolve the conditions that led to the disclaimed or adverse opinion. The Legislative Auditor may also decide to place the agency's name on the noncompliance list on the website until further information or a corrective action plan is provided.

Governmental practitioners are required to notify the Legislative Auditor **immediately** when they become aware that an agency's audit report may receive a disclaimed or adverse opinion.

56. Q. May my agency issue cash basis financial statements?

A. R.S. 24:514 requires financial statements of agencies that must report to the Legislative Auditor be prepared in accordance with generally accepted accounting principles. For most of these agencies, this precludes cash basis financial statements. Agencies that, under Louisiana law, can not issue bonds, may issue cash basis financial statements, provided that such statements describe all outstanding obligations and fixed assets of the agency, as well as amounts due to the agency.

Performing the Engagement

57. Q. I have hired a CPA to perform my agency's statutorily required audit. The CPA will not respond to my requests to start the audit. It is getting close to the due date of the report. What should I do?

A. Contact the Louisiana Legislative Auditor at (225) 339-3802. The Legislative Auditor's staff will contact the CPA and instruct him to make arrangements to begin the audit. If the CPA does not respond to the Louisiana Legislative Auditor, the engagement will be cancelled, and the agency will be instructed to retain the services of another CPA firm to perform the engagement.

58. Q. I am a CPA who is performing an agency's statutorily required audit/review/attestation/compilation engagement. The agency has not provided all of the records I need to perform the engagement, although I have contacted them numerous times. What should I do?

A. Contact the Louisiana Legislative Auditor at (225) 339-3802. The Legislative Auditor will notify the agency by letter of their requirement to provide the CPA with the books and records necessary to perform the engagement and give them a date certain by which they must provide these records. If the date passes and the agency has still not provided the records, the Legislative Auditor will notify the district attorney in the judicial district in which the agency is domiciled of the agency's noncompliance with the audit law. The Legislative Auditor may also request that the agency appear before the Legislative Audit Advisory Council to explain the reasons why it will not comply with the audit law.

59. Q. Is the audit/engagement documentation of an ICPA who performs audits, review/attestation, and compilation engagements to comply with R.S. 24:513 confidential?

A. The workpapers of an ICPA who performs these engagements are covered by the same confidentiality laws as are the workpapers of the Legislative Auditor. However, these workpapers are subject to subpoena; review by a successor auditor in accordance with AU 510 and the *Louisiana Governmental Audit Guide*; and shall be available for inspection by the Legislative Auditor, any successor auditor, and/or any organization authorized by the Louisiana State Board of Certified Public Accountants to perform audit/engagement documentation reviews as part of a quality assurance program.

Please refer to Section 350.02 of this document for the Legislative Auditor's policy regarding the confidentiality of audit/engagement documentation.

60. Q. Are there minimum procedures that the Louisiana Legislative Auditor requires an auditor to use?

A. The Legislative Auditor expects the auditor to adhere to all applicable professional standards during the performance of his/her engagement. The auditor may also wish to consider using the best practices documents (available on the Louisiana Legislative Auditor's website at http://www.lla.la.gov/localgovernment/bestpractices/) to develop additional procedures.

61. Q. The CPA who is performing my engagement gave me a compliance (or attestation) questionnaire to fill out. What is the purpose of this document? Do I give it back to the CPA or the Legislative Auditor?

A. The compliance or attestation questionnaire forms the basis of management's representations regarding the agency's compliance with laws and regulations that the CPA tests during the course of his/her audit or review/attestation engagement. Through the questionnaire, the agency is telling the CPA whether the agency has complied with certain laws and regulations. The agency should return the questionnaire to the CPA. A copy of the questionnaire does not need to be sent to the Legislative Auditor, although the attestation questionnaire is a required component of the review/attestation report.

62. Q. The CPA who is performing my agency's audit is asking for a lot of information that I don't think pertains to my financial statements. Must I give these items to him?

A. A CPA's main responsibility during an audit is to determine whether an agency's financial statements are materially correct. A CPA will look at information that may on the surface not appear to be related to the financial statements to make that determination. In addition, a CPA performing an audit under *Government Auditing Standards* is required to test the agency's compliance with laws and regulations. Because the CPA is the one who is performing the audit and exercising professional judgment regarding the information he/she needs, the Legislative Auditor will generally support the CPA in these matters. The agency is always free to call (225) 339-3802 to discuss the issue.

63. Q. The CPA who is performing my audit is asking for information that was not on the list of records he requested when I signed my engagement agreement. Shouldn't the auditor have known what records he/she needed before the engagement started?

A. An auditor should give the agency a list of records and other information he/she needs before the audit begins. However, it is normal for questions to arise during the performance of an audit, making it necessary for the auditor to obtain additional information. The agency should provide the CPA with the additional records he/she requests in a timely manner.

64. Q. I have given the CPA everything he has requested to complete the audit, and he/she is finished with field work. However, the CPA will not send the report to the Louisiana Legislative Auditor, and the report is past due. What should I do?

A. Call the CPA to verify that he/she does indeed have all of the information needed to finish the audit. If the auditor has all of the information and appears to be unnecessarily holding up the issuance of the report, please call (225) 339-3802 to discuss the matter.

65. Q. I am a government practitioner performing a review/attestation or compilation engagement. Do I need to obtain a management representation letter for these engagements?

A. The *Statements on Standards for Accounting and Review Services* require that the independent accountant obtain a management representation letter for review engagements. The standards are silent on whether a management representation letter is required for compilation engagements. The accountant should follow his/her firm's policies on obtaining management representation letters for compilation engagements.

66. Q. The Legislative Auditor performed a limited examination of the financial records of the agency I am auditing, and issued a report. What do I do with this information?

A. The CPA will be expected to follow up on and report the status of the significant findings in any Legislative Auditor's report that pertained to transactions during the fiscal year the CPA is engaged to examine.

Report Submission

67. Q. When is an agency's report due to the Louisiana Legislative Auditor?

A. Audit, review/attestation, and compilation reports are due to the Louisiana Legislative Auditor six months after the agency's fiscal year end. Sworn financial statements and the affidavit and revenue certification form of agencies receiving $50,000 or less in public funds are due to the Louisiana Legislative Auditor 90 days after the agency's fiscal year end.

68. Q. My agency receives more than $500,000 of federal funds and is required to provide for a Single Audit by the federal government. The Single Audit report is due nine months after my fiscal year end. How does this affect the date by which I am required to file my audit with the Louisiana Legislative Auditor?

A. The statutory due date of audit reports, including Single Audit reports, of agencies that must report to the Louisiana Legislative Auditor, is six months after the agency's fiscal year end. Although the federal government allows reports to be submitted nine months after an agency's fiscal year end, an agency that must report to the Louisiana Legislative Auditor must observe the state law in this regard, and must submit their report to the Louisiana Legislative Auditor within six months after the agency's fiscal year end.

69. Q. How are reports submitted to the Louisiana Legislative Auditor?

A. We encourage agencies and CPAs to submit copies of reports electronically by sending the report, in .pdf or .tif format, to ereports@lla.la.gov. If you do not wish to submit the report electronically, one unbound, single-sided hard copy of the report may be either mailed or hand delivered to the Louisiana Legislative Auditor.

70. Q. What items have to be submitted with a report?

A. With the report you must submit a signed data collection form, available on our website at http://www.lla.la.gov/userfiles/file/datacll.doc. If the agency receives federal funds, the federal data collection form may be submitted in lieu of the state data collection form. If the report is submitted electronically, we ask that any information that will not be part of the issued report (i.e., data collection form, transmittal letter, etc.) be scanned in a separate file from the report. The separate files may be sent to the ereports mailbox in the same e-mail, but we ask that the information that will not be part of the issued report be sent in a separate file.

71. Q. Is the CPA or the agency responsible for submitting the report?

A. It is the joint responsibility of the agency and the CPA to ensure that the agency's report has been submitted to the Louisiana Legislative Auditor.

72. Q. Is there any kind of grace period allowed after the statutory due date for the report?

A. The Legislative Auditor does not allow a grace period in which to submit a report past the statutory due date. If an agency does not think it will be able to submit its report by the statutory due date, it should consider requesting an extension through the on-line form on the Legislative Auditor's website.

73. Q. I sent in my report this morning, and have not received a confirmation from the Louisiana Legislative Auditor. What should I do?

A. Normally, Legislative Auditor staff tries to confirm receipt of a report the same day it is received. However, if the report has been sent in during the time in which Louisiana Legislative Auditor receives the majority of its reports (late December/early January and late June/early July), there may be a slight delay in this confirmation process. If you send in a report during these times, please bear with us. If you haven't received confirmation within a week, however, please call the Louisiana Legislative Auditor at (225) 339-3813 so that they can follow up to see if the report has been received.

74. Q. What does the Louisiana Legislative Auditor do when they receive a report?

A. When a report is received, Legislative Auditor staff performs an initial review to determine whether the report appears to include all its required components. A confirmation that the report has been received is forwarded to the party who sent the report. Legislative Auditor staff then performs a

secondary review of the report. After the report is reviewed and any deficiencies corrected, the report is issued as a public document on the Legislative Auditor's website.

75. Q. What is the timeframe between submission of a report to the Louisiana Legislative Auditor and posting on the Legislative Auditor's website?

A. There is no standard period of time between submission of a report to the Louisiana Legislative Auditor and posting on the Legislative Auditor's website. Deficiencies are sometimes noted in reports when the secondary review is performed. The CPA and/or the agency are asked to correct the deficiencies before the report is issued. In addition, during certain times of the year the Legislative Auditor will receive a large volume of reports in a short period of time. Each report must be processed and reviewed individually. The Louisiana Legislative Auditor makes every effort to issue each report as quickly as possible after it is received, but must balance that with issuing reports that are complete and correct.

76. Q. What is the use of the data collection form? Does one have to be submitted with every report submitted to the Louisiana Legislative Auditor? Where can I find this form?

A. The data collection form summarizes the results of the ICPA's engagement; type of opinion issued, findings, etc. The form is used to sort reports and quickly identify those reports with significant findings and other issues. The form must be submitted with every compilation, review/attestation, and audit report submitted to the Louisiana Legislative Auditor. However, the report submission should not be held up for the completion of the data collection form. The state data collection form may be found on the Legislative Auditor's website at http://www.lla.la.gov/userfiles/file/datacll.pdf. If an agency receives a Single Audit, the federal data collection form may be submitted in lieu of the state data collection form.

77. Q. I have presented the audit report to the client in a public meeting, and have distributed copies to the board. I subsequently submitted the report to the Louisiana Legislative Auditor. After their review, they requested a revision. Am I required to redistribute revised copies of the audit report to the board?

A. An audit, review/attestation, or compilation report is not considered final until the Legislative Auditor has reviewed and issued it. When an auditor distributes non-draft copies of an audit report to an outside party prior to issuance of the report by the Legislative Auditor, the auditor takes a risk that the Legislative Auditor may find that the report needs to be revised. The Louisiana Governmental Audit Guide requires that should a change be required in an audit report, any subsequent issue will be made in the same manner as any prior issuance. Therefore, the auditor will be required to submit revised copies of the audit report to any party he/she has distributed original copies to.

78. Q. I received a letter from the Louisiana Legislative Auditor saying that my report is delinquent. How do I respond to the letter?

A. Although the CPA performing the engagement generally submits an agency's report to the Louisiana Legislative Auditor, it is the joint responsibility of the agency and the CPA to submit the

report. If the CPA has told an agency that the report has been submitted, the agency will need to contact the CPA to see if he/she has a confirmation from the Louisiana Legislative Auditor that the report has been received. The report may need to be resubmitted.

79. Q. The CPA said he sent in my report, but my name is appearing on the delinquent reports listing on the Legislative Auditor's website. How do I resolve this?

A. Call (225) 339-3802 or (225) 339-3813 to make sure that the report has been submitted. The agency may be asked to contact the CPA to ask him/her to resend the report.

80. Q. The outside bookkeeping company I hired is not finished with my records, and my report is late. Isn't it their fault?

A. The agency is ultimately responsible for providing the records to the CPA. If an agency uses an outside bookkeeping firm, and that firm is not fulfilling its commitment to the agency, it is no different than if the agency had a bookkeeper on staff who is not fulfilling his/her job duties. The agency may wish to consider hiring another firm to perform its bookkeeping services.

81. Q. The audit report is finished, but the due date of the report is still two months away. May I send the report to the Legislative Auditor?

A. The Legislative Auditor will not only accept early submission of reports, but recommends that a report be sent in as soon as it is completed.

82. Q. The audit report is finished, but I have not completed the Single Audit report or management letter. Should I submit the unfinished report anyway?

A. Partially completed reports should not be submitted to the Louisiana Legislative Auditor. Not all reports include Single Audit reports or management letters, and Legislative Auditor staff may inadvertently issue an incomplete report that should have a Single Audit report, management letter, or other information if a partially completed report is submitted.

83. Q. The audit report is finished, but management has not responded to the findings. Should I submit the unfinished report anyway?

A. The Louisiana Legislative Auditor prefers that management's response to findings be submitted with the report. We will hold the report for a short period of time in order for management to finalize its response to findings. If management does not provide its response to findings within a reasonable period of time, the report will be referred to the Legislative Audit Advisory Council for further action, and management will be required to respond to that body.

Findings

84. Q. What are the consequences to my agency if there are findings in my report?

A. Legislative Auditor staff assigns a grade to each report based on the findings in the report:

Findings in report	Grade
No findings or management letter comments	A
Management letter comments only	B
Report findings	C
Misappropriation of funds or fraud reported	D

If it does not appear that management's plan of corrective action adequately addresses the findings or management letter comments, agency management may be asked to respond to the Louisiana Audit Advisory Council. In addition, a report that indicates that a misappropriation of funds has occurred will be referred to the district attorney, and a report that indicates that violations of ethics laws have occurred will be referred to the state Ethics Board. The Legislative Auditor has the authority to take further action based on the findings or management letter comments in reports.

If an agency fails to make significant progress in correcting the findings in its reports, the Legislative Auditor may require that the agency engage the same CPA firm that performs its audit to perform certain additional procedures to test the agency's internal controls and compliance with laws and regulations and to report on the results of these procedures. This type of engagement, which is called an agreed-upon procedures engagement, will be over and above the work the CPA firm would normally perform during its annual audit and will likely result in the agency paying higher fees to the CPA firm than the agency normally spends for its annual audit.

85. Q. I do not agree with the opinion and/or findings that my auditor is including in his report. What is my recourse?

A. The auditor only "owns" five sections of the report:

- The auditor's opinion;
- The *Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards* (popularly called the Yellow Book report). This is the report in which the auditor summarizes the results of his/her tests of laws and regulations material to the financial statements and internal control over financial reporting;
- The *Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; And Report On The Schedule Of Expenditures Of Federal Awards Required By OMB Circular A-133*. This is the report in which the auditor summarizes the results of his/her tests over federal programs (if applicable);

- The management letter. This is the report in which the auditor summarizes immaterial issues which he/she feels needs to be brought to the attention of management (if applicable); and
- The schedule of current year findings (if applicable).

An auditor is a CPA and a professional person who has skills and knowledge that enables him/her to render an opinion and provide other information on financial statements in general. The auditor also possesses special skills and knowledge about the specific engagement being performed that the Legislative Auditor does not have. The agency is free to call the Louisiana Legislative Auditor to discuss any aspect of an audit engagement or report, but the Legislative Auditor does not normally intrude upon the opinion of a CPA if the agency feels that the opinion or findings are harsh.

86. Q. My agency received a letter from the Legislative Audit Advisory Council that said the responses to the findings in my audit report were not adequate. What kind of response is the Council looking for?

A. An agency's response to findings should include the corrective action plan for the finding, the person responsible for correcting the finding, and the date by which the agency expects to correct the finding. If you feel the response to your finding in the audit report was adequate, please call (225) 339-3802 to discuss.

87. Q. Do all findings and management letter comments require management's plan of corrective action?

A. Yes, it is required by the *Louisiana Governmental Audit Guide*.

88. Q. Does the agency's response to findings and management letter comments have to be on letterhead?

A. An agency's response to findings may be provided in letter format on the agency's letterhead, or may be summarized and incorporated into the body of the finding itself.

89. Q. Do prior year findings and management letter comments have to be followed up on?

A. Yes, it is required by the *Louisiana Governmental Audit Guide*.

90. Q. I have performed a review/attestation or compilation engagement and I have been made aware of some issues that if I were performing an audit, I would be required to write up as findings. Am I required to write them up for a review/attestation or compilation engagement?

A. The Legislative Auditor asks that the CPA performing a review/attestation or compilation engagement that becomes aware of conditions that would arise to the level of report findings or management letter comments in an audit engagement, report these conditions in a schedule of

findings and submit these findings, along with management's plan of corrective action, with the review/attestation or compilation report.

Extension Requests

91. Q. I think my report will be late. May I request an extension of time in which to submit the report?

A. An agency or the CPA performing the agency's engagement may request an extension of time in which to file the agency's statutorily required report. The request must be made through means of an online form available on the Legislative Auditor's website: (http://app1.lla.state.la.us/ExtensionReq.nsf/ExtensionForm?OpenForm). The extension request must include the reason the report will be late and a date by which the report is expected to be submitted.

92. Q. How will I be notified if my extension request is approved?

A. The Legislative Auditor may approve an agency's extension request of 90 days or less. The agency will be notified by letter of the Legislative Auditor's decision to approve or not approve the extension request. Extension requests that are greater than 90 days must be approved by the Legislative Audit Advisory Council (LAAC), a joint committee of five members of the Louisiana Senate and five members of the Louisiana House of Representatives. The agency must appear before LAAC to explain the reason why the extension request is necessary.

93. Q. If my extension request is approved, will my report need to include a late report finding?

A. A late report finding is required to be included in the agency's report if the report if it is submitted past the statutory due date, even if the Louisiana Legislative Auditor or LAAC has approved an extension request, unless the extension is requested due to a gubernatorily declared emergency such as a hurricane, flood, or tornado.

94. Q. My report is late due to the fault of the ICPA. Will my report need to include a late report finding?

A. A late report finding is required to be included in the agency's report if the report is submitted past the statutory due date, even if the Louisiana Legislative Auditor or LAAC has approved an extension request, unless the extension is requested due to a gubernatorily declared emergency such as a hurricane, flood, or tornado, even if the reason that the report is late the fault of the ICPA. If the ICPA is the reason that the report is late, the agency should consider this before hiring the ICPA again.

95. Q. I am a nonprofit agency and have filed an extension request with the IRS for my agency's 990 form. Will the Louisiana Legislative Auditor accept this form for my extension request for my annual financial report?

A. No. The extension request form on the Legislative Auditor's website must be used to request an extension for an agency's state statutory reporting requirement.

Allegations

96. Q. How are allegations submitted to the Louisiana Legislative Auditor?

A. Allegations are received by letter, e-mail, and telephone. Contact information is available on the Legislative Auditor's website at http://www.lla.la.gov/fraud/. .

97. Q. How are allegations that are received by the Louisiana Legislative Auditor handled?

A. An allegation regarding a state or local government or a quasi-public agency that is received by the Louisiana Legislative Auditor is reviewed to determine the best manner in which to resolve it. The allegation is sometimes referred to the Legislative Auditor's in-house compliance division to review. However, the majority of the allegations received by the Legislative Auditor are referred either to the division of the Louisiana Legislative Auditor that performs audits of state agencies, or to the CPAs performing the statutorily required engagements of local government or quasi-public agencies to follow up on. The CPA performing engagements for a local government or quasi-public agency is instructed to review the allegation during the performance of the engagement and to report to the Louisiana Legislative Auditor if the allegation has any basis. It is important that the person making the allegation be as specific as possible in order to enable Legislative Auditor staff or the independent CPA to follow up on the allegation during the course of the regularly scheduled audit.

98. Q. If I send an allegation to the Legislative Auditor, will my identity be disclosed?

A. The Legislative Auditor will not disclose the name of a person making an allegation except to the CPA who receives the allegation to follow up on. The CPA receiving the allegation is instructed not to disclose the identity of the person making the allegation. However, if the records of the Legislative Auditor or CPA are subpoenaed, the name of the person making the allegation may become public.

99. Q. I am a private citizen who believes that a certain agency is misappropriating funds. May I request that the Legislative Auditor perform an audit of the agency?

A. A private citizen may submit allegations to the Louisiana Legislative Auditor through the process described above. However, due to limited staff, the Legislative Auditor may not be able to follow up on an allegation through its own audit of an agency.

100. Q. I sent an allegation to the Louisiana Legislative Auditor. When can I expect to hear back from them on the results of their investigation?

A. The Louisiana Legislative Auditor does not normally report the results of the allegation investigation directly to the source. If the allegation has merit and is material to the financial statements, the CPA is required to report the condition in the audit report.

101. Q. I sent an allegation to the Louisiana Legislative Auditor, but did not see it reported in the agency's audit report. Didn't the CPA do his job?

A. Many of the allegations the Legislative Auditor receives either have no merit or no effect on the financial statements. The CPA is not required to report these allegations in the audit report.

Fraud/Misappropriation of Public Funds

102. Q. Is an agency required to notify the Louisiana Legislative Auditor when a misappropriation of public funds has occurred? What if we are not sure that a misappropriation has occurred?

A. R.S. 24:523 requires that an agency contact the Legislative Auditor and the local district attorney when they become aware that a misappropriation of funds has occurred. If you are not sure whether a misappropriation has occurred or the amount of the misappropriation, it is still best to contact the Louisiana Legislative Auditor and the district attorney as soon as possible.

103. Q. I am a CPA performing an audit and have knowledge that a misappropriation has occurred. Am I required to contact the Louisiana Legislative Auditor? What if I am not sure that a misappropriation has occurred?

A. The Louisiana Governmental Audit Guide requires that a CPA performing an engagement who becomes aware that a misappropriation of funds has occurred contact the Louisiana Legislative Auditor immediately. If the CPA is not sure whether a misappropriation has occurred, it is still best to contact the Louisiana Legislative Auditor as soon as possible.

104. Q. Why didn't the auditor catch a misappropriation of funds that occurred during an agency's fiscal year end? Don't auditors look at every transaction during their audit?

A. An auditor performs tests of a sample of transactions that occurred during an agency's fiscal year. He does not test every transaction that an agency entered into during a fiscal year. Testing every transaction is usually not necessary, and would cost most agencies more than would be gained by the public in performing such tests. In addition, fraud is not often easy to detect. Persons who misappropriate funds may have found a way to circumvent normally adequate controls and hide it in such a way that makes the circumvention difficult to detect. And, if two persons are conspiring or colluding in an effort to misappropriate funds, or if management is involved in the misappropriation, normally adequate controls may be overridden in a manner that may be almost impossible to detect by an auditor.

105. Q. I am a member of the board of an agency that reports to the Louisiana Legislative Auditor. A misappropriation of funds occurred during the last fiscal year that was not caught by the auditor. I am sure that the auditor is not doing his job during the performance of his annual audit, and I want the Legislative Auditor to perform the audit. How may I request this?

A. For the reasons noted above, there may be legitimate reasons that an auditor did not detect a misappropriation of funds during the course of his/her audit. An agency may request that the Legislative Auditor perform the annual audit of an agency, but due to staffing constraints the Legislative Auditor may be unable to comply with these requests.

106. Q. A misappropriation of funds occurred during the year in which I audited an agency. The misappropriation of funds was immaterial, and I did not feel government auditing standards required that the misappropriation be disclosed in the report. However, the Legislative Auditor asked me to revise the report to include disclosure of the misappropriation. Can the Legislative Auditor require that I report at a level that I feel is above the standards?

A. An auditor performing an engagement for an agency that reports to the Louisiana Legislative Auditor stands in the shoes of the Legislative Auditor regarding the performance of the engagement. Therefore, the Legislative Auditor may, at his discretion, require that the CPA disclose information in his/her audit report that is over and beyond what the applicable auditing standards require to be disclosed. If you have any questions as to whether a misappropriation is required to be disclosed, please call (225) 339-3802.

Independence

107. Q. Why must an auditor be independent in regard to an agency in order to perform the agency's financial statement audit?

A. An auditor must be independent from an agency so that outside parties may rely on the auditor's opinion as to whether or not the agency's financial statements are fairly stated. An auditor must be independent in appearance as well as in fact in order for an outside party to be able to rely on the auditor's opinion. An auditor who performs an audit of his/her parent's business, for example, may be capable of maintaining his or her independence intellectually, but because of the relationship between the auditor and the auditee, it would be difficult for an outside party to believe in or rely on the auditor's opinion.

108. Q. May CPA firms that perform government and quasi-public agency audits also have engagements to perform other services for those clients?

A. A CPA firm that wishes to perform other services for a client must determine whether rendering those services would impair the firm's independence or objectivity toward the client. If the CPA firm decides that the firm's independence would be affected by performing the other engagement, the CPA firm will need to decide which of the engagements it will perform.

109. Q. I am a practitioner who performs bookkeeping services for a government client. I wish to perform the agency's statutorily required compilation engagement. May I do so?

A. Generally, performing bookkeeping services for a client impairs the CPA's independence to the point that the CPA cannot be considered independent toward the client. However, a CPA does not offer any type of assurance in a compilation engagement. Therefore, a CPA may perform a compilation engagement for a government client towards which he/she is not independent, provided that the CPA discloses the lack of independence in the compilation report.

110. Q. I have a question as to whether my firm is independent regarding a particular client. Can I get a ruling from the Louisiana Legislative Auditor as to whether or not I am independent?

A. An auditor may contact the Louisiana Legislative Auditor to discuss independence issues. However, the CPA must make his/her own determination as to whether or not his firm is independent regarding an agency.

111. Q. I have been engaged to perform an audit. After the field work was substantially complete, I determined that I am no longer independent regarding the agency I am auditing. May I issue a disclaimer of opinion?

A. If an auditor determines at any point in the engagement that he/she is not independent, he/she may not render an opinion on the financial statements, even a disclaimer of opinion. The auditor must withdraw from the engagement. Should this occur, please contact the Louisiana Legislative Auditor at (225) 339-3802 immediately.

Records Retention

112. Q. How long should a government or quasi-public agency retain its records?

A. An agency must retain its records for three years or until audited, whichever is longer. However, certain records must be retained for longer periods of time (such as payroll records and documents related to the issuance of bonded debt). In addition, a government agency is required to file its records retention schedule with the Secretary of State's office. For information, contact the Secretary of State's office at (225) 925-7552.

Technical Assistance

113. Q. May I call the Louisiana Legislative Auditor when I have an accounting question?

A. The Louisiana Legislative Auditor welcomes accounting questions from agencies and CPAs. Please call (225) 339-3802 for assistance with accounting type issues.

114. Q. May I call the Louisiana Legislative Auditor when I have a legal or ethics question?

A. The Louisiana Legislative Auditor will try to answer legal and ethics questions posed to them. However, a more appropriate source to direct legal and ethics questions may be an agency's legal counsel, the local district attorney, the Attorney General, or the Ethics Board. Legislative Auditor staff may instruct you to contact one of these other sources if you have a legal or ethics question.

115. Q. My agency needs to upgrade its policies and procedures. Does the Louisiana Legislative Auditor have sample policies and procedures I can use?

A. The Louisiana Legislative Auditor does have some sample policies and procedures on its website at http://www.lla.la.gov/localgovernment/bestpractices/. An agency may use these to develop its own policies and procedures specific to their own situation. If an agency belongs to an association such as the Louisiana Municipal Association, they may wish to use the guidance available from that association to develop its policies and procedures. The agency may also wish to contact an agency of similar type and size to obtain a copy of its policies and procedures to use as a model. An agency may also consider incorporating the information in the best practices documents on the Legislative Auditor's website (http://www.lla.la.gov/cpas/bestpractices/) in its policies and procedures.

116. Q. Where can I get a list of laws applicable to a particular agency I am auditing?

A. A partial list of these laws is available in the Louisiana Governmental Audit Guide. Additional information may be found on the Legal Assistance Page of the Legislative Auditor's website. However, the agency is ultimately responsible for determining which laws it is required to comply with.

117. Q. Is there a source or sources I can access to research Louisiana Revised Statutes, Attorney General Opinions, and Internal Revenue Service issues?

A. The Louisiana Legislature's website (http://www.legis.state.la.us/) includes a search engine for Louisiana Revised Statutes that is accessible to the general public.

The Louisiana Attorney General's website (http://www.ag.state.la.us/) includes a search engine for Louisiana Attorney General opinions that is accessible to the general public.

The Internal Revenue Service's website (http://www.irs.gov/) includes a search engine for IRS issues that is accessible to the general public.

118. Q. Are the state and local government funds received by quasi-public and nonprofit agencies subject to the state ethics laws, open meetings law, public records law, and public bid law?

A. The Legislative Auditor's legal counsel has opined that, generally, quasi-public and non-profit agencies that receive most of their revenue from public funds are subject to state laws regarding the receipt and expenditure of those funds. Agencies that are predominantly funded by private funds are subject to public laws on a more limited basis. Private funds are considered to be public funds if those funds are commingled with public funds.

Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at http://app1.lla.state.la.us/llala.nsf, to determine whether a non-profit agency is subject to the open meetings law.

119. Q. I am a nonprofit agency that keeps my public funds in the same bank account as the donations my agency receives. Does this mean they are commingled?

A. Not necessarily. Donations may be kept in the same bank account as public funds and not considered commingled if the private funds are accounted for separately from public funds in the agency's accounting records.

120. Q. What is the best way to prepare for the annual audit?

A. An auditor may have many clients whose reports are due at the same time yours is, so it is important to engage an auditor as soon as possible after the end of your agency's fiscal year end and meet with him/her to coordinate the commencement and completion of the report before the statutory due date. The auditor should give you a list of records he will need for the audit. If he does not give you this list, ask for it. Assign a person to act as audit coordinator and make sure he/she is available when the auditor is on-site to answer the auditor's questions and to respond to the auditor's request for additional information. Finally, the most important way to prepare for the annual audit is to keep your books and records in good order throughout the year.