

Statewide Agreed-Upon Procedures – Frequently Asked Questions

The following frequently asked questions (FAQs) are based on feedback received from local officials and practitioners after the Louisiana Legislative Auditor (LLA) issued the Year 2 statewide agreed-upon procedures (AUPs) on June 6, 2018. We will continue to update these FAQs periodically as we receive additional feedback. If applicable, the questions have been numbered to correspond with the Statewide Agreed-Upon Procedures Instructions.

General Comments

- Is the LLA still considered to be a specified party to the statewide AUP engagements?
 - Yes, the LLA is a specified party to the statewide AUP engagements and accepts the sufficiency of AUP procedures by the acceptance of our standard (audit) engagement approval form.

Reporting AUP Exeptions

- If no exceptions were noted when performing a procedure, is “no exceptions noted” an acceptable response?
 - Yes, “no exceptions noted” is an acceptable response.
- Does the LLA want us to provide entity specific detailed procedures performed in response to the general procedures?
 - No, if a CPA wants to include their entity specific procedures (e.g. exact name of report used to perform procedure or specific name of

entity's policy, etc.) in the AUP report, we will accept the report with those specific procedures, but providing those are not necessary.

Applicability of AUPs

- Do the statewide AUPs apply to state entities?
 - No, the statewide AUPs only apply to local governments and quasi-public entities, including non-profits. The LLA currently has 4 different types of agreed-upon procedures engagements, as follows:
 - State entity (not "statewide") AUPs are required for certain engagements for entities that are included in the state's CAFR. These engagements are contracted directly by our Financial Audit Services group and do not apply to local governments or quasi-public entities.
 - Statewide AUPs are required for local governments and quasi-public entities that receive public funds of \$500,000 or greater.
 - Review/Attest engagements include AUPs for local governments and quasi-public entities that receive public funds between \$200,000 and \$500,000.
 - Department of Education Performance Measures AUPs are required for school boards and charter schools.

More than one set of AUPs may be required, depending on whether each criteria above has been met. For example, a parish school board with public funds of \$500,000 or greater would be subject to both the statewide AUPs and the Department of Education Performance Measures AUPs.

AUP Exemption – Single Audit

- The LLA notes that "the entity may exclude those AUP categories that are covered under federal program testing, regardless of whether the federal program testing includes the same procedures or sample sizes." If a practitioner has a client with only 30% of its public funds subject to major

program testing, does the practitioner still have to test the related AUP categories for the remaining 70% of its public funds?

- Yes. Our intention was to reduce redundant Single Audit testing and provide efficiencies for the practitioner; however, we did not intend to completely eliminate testing for those categories that include local, state, or non-major federal funds. We recommend selecting sample sizes for the applicable categories from the overall population of all transactions and then removing those sample items that fall within Single Audit testing. Alternatively, the practitioner could apply a pro-rata ratio (70% in the example above) to the AUP sample sizes to accomplish the same goal.

AUP Applicability – Not-for-Profit included as part of entity’s audit

- What is LLA's stance on Not-For-Profit entities that are consolidated within Governmental entities when it comes to the restrictions imposed on governmental entities? Accounting guidance regularly requires foundations to be consolidated into a Hospital's financial statements. Would those entities be subject to the Statewide Agreed-Upon Procedures?
 - If they are totally consolidated, they are part of the hospital and totally public. Therefore, the SAUPs would be applicable to the Not-for-Profit.

4) Collections - General

- Do the Collections procedures apply to electronic receipts, such as EFTs?
 - No. Collections procedures are limited to cash, checks, and money orders.
- If an entity has a 3rd party contractor performing all collection functions (receiving collections, preparing deposits, and making deposits), is the practitioner required to perform the related Collections procedures?

- No, the related procedures would not be required to be tested at the entity.

5. Disbursements – General

- Under the Credit Cards category, the LLA notes that “requiring such approval may constrain the legal authority of certain public officials; these instances should not be reported.” Does the same approval exclusion apply to the Disbursements category as well?
 - Yes, this provision would apply to disbursements as well. We would not expect an elected mayor to need board approval for routine transactions, nor would we expect an elected police chief to need an elected mayor's approval for routine transactions. Any procedure that would infringe on an elected official's responsibilities would not be considered to be an exception under the statewide AUPs.

7) Credit Cards/Debit Cards/Fuel Cards/P-Cards

- How should procedure #7C be addressed if one or more card statements selected in procedure #7B are for fuel cards?
 - Selection of a fuel card under procedure #7B would reduce the total number of transactions tested under procedure #7C. For example, if 3 credit cards and 2 fuel cards were selected under #7B, only those 30 transactions related to the credit cards would be tested under #7C. Conceivably, if all selected cards were fuel cards, step #7C would not be applicable. However, because the selection of cards under procedure #7B is based on random selection, the practitioner should not judgmentally select fuel cards to avoid testing under procedure #7C.

- One of our clients utilizes SmartData for their credit cards through Chase, which requires a transaction-level review of charges. Would this constitute “evidence that the monthly statement or combined statement and supporting documentation...was reviewed and approved, in writing...”?
 - Yes, if the practitioner has evidence that all transactions are being reviewed and approved, this would not be an exception. The practitioner could either explain the process in the AUP procedure results or could customize the AUP procedure to fit the actual review/approval process.

- To address credit card transaction documentation that did not include an itemized receipt, one client required its employees to complete a “Missing Receipt Statement” (one example was due to a parking garage receipt machine that was out of paper). The Statement requires a description of the issue and items purchased and requires both the card holder’s and supervisor’s written approval. How should this be reported for purposes of AUP results?
 - If this was an isolated occurrence, the practitioner could describe the nature of the transaction and note that management had a compensating control to address such isolated occurrences.

- If school staff use credit cards for student activity funds, are these cards subject to the statewide AUPs?
 - Yes, all credit/credit/fuel cards used by school staff for either school operations or student activity fund operations are subject to the statewide AUPs.

11) Debt Service

- For procedure #11B, which states in part “obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants,” do “reserve balances” include contingency funds, short-lived asset funds, or other funds identified in the debt covenants?

- Yes, the term “reserve balances” would include any required funds identified in the debt covenants.

14) Prevention of Sexual Harassment

- Is a private non-profit, that is considered quasi-public for audit purposes solely due to the receipt of public funds, required to comply with the annual sexual harassment training and sexual harassment policy requirements under R.S. 42:341, et seq.?
 - It depends: a private non-profit subject to audit by virtue of the receipt of public funds does not appear to be subject to the sexual harassment law, R.S. 42:341, et seq. However, the non-profit should review their agreements to receive public funds to determine if there is a requirement for the non-profit to comply with R.S. 42:341, et seq.
- In regards to the annual reports that must be filed by the entities, who the entity is supposed to file the annual sexual harassment report with? For example, cities and municipalities, who would they file/submit the report with? In addition to the governments, I also have non-profits that I audit that I will need to know who to tell them to file their annual report with.
 - The requirement to file the annual report with the Division of Administration only applies to state entities. Currently, local government entities are required to report this information in the annual report and then public records laws and retention laws kick in, which means the entity is required to keep the report in their own files for as long as their record retention schedule requires them to be kept and they are subject to public records requests.