

**LOUISIANA REAL ESTATE APPRAISERS BOARD
Office of the Governor
State of Louisiana
Baton Rouge, Louisiana**

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

Year Ended June 30, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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LOUISIANA REAL ESTATE APPRAISERS BOARD

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Year Ended June 30, 2012

**To the Management of the
Louisiana Real Estate Appraisers Board**

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked it as "not applicable."

Management of the Louisiana Real Estate Appraisers Board is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the Louisiana Real Estate Appraisers Board and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Louisiana Real Estate Appraisers Board's compliance with certain laws and regulations during the year ended June 30, 2012.

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.

General

1. *Determine if there are adequate written policies and procedures for the primary financial/business functions of the entity (budgeting, receipts, purchasing, disbursements, payroll/personnel, contracting, travel, related parties, and ethics).*

We interviewed the Louisiana Real Estate Appraisers Board's Executive Director and the Louisiana Real Estate Commission staff and determined that the Board uses the services of the Commission's staff for its primary financial/business functions. The policies and procedures used by the Commission are in writing and are applied to the Board's financial/business functions and, based solely on the results of these agreed-upon procedures, appear to be adequate.

2. *Using the financial statements or AFR, perform analytical procedures comparing current and prior year financial statements, by line item. Identify and obtain explanations for variances of 10% or greater for line items that are 10% or more of the respective total assets, liabilities, equity, revenues, or expenses.*

Management's explanations for variances meeting the above criteria follow:

<u>Line Item</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>%</u>	<u>Management's Explanations</u>
Cash and cash equivalents	\$207,960	\$31,844	553%	Increase due to the assessment of new appraisal management company fees.
Accounts payable and accruals	\$26,084	\$9,562	173%	Increase due to the timing of the payment of the federal registry fees.
Due to other funds	\$68,391	\$2,281	2898%	Increase due to the timing of the payment to the La. Real Estate Commission.
Unrestricted net assets	\$109,600	\$16,151	623%	Increase due to the assessment of new appraisal management company fees.
Licenses, permits, and fees	\$362,750	\$193,530	87%	Increase due to the assessment of new appraisal management company fees.
Other revenues	\$71,983	\$58,913	22%	Increase due to federal registry fee increase from \$25 to \$40.

Cash

1. *Prepare a proof of cash for the period covered by the financial statements.*

We prepared a proof of cash for both bank accounts maintained by the Board for the twelve months ending June 30, 2012. No exceptions were noted as a result of applying the procedure.

2. *Determine if cash collection responsibilities are adequately segregated to ensure that the person responsible for cash collections is not responsible for posting accounts receivable or making deposits.*

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We reviewed the Board's cash receipts policy and procedures and determined that they provide for adequate segregation of duties.

3. *Determine if bank reconciliations have been prepared for all months in the period covered by the financial statements. Determine if there is evidence of management review of the bank reconciliations. Determine if the reconciled balance for the final month of the fiscal year agrees to the general ledger.*

Through observation, we determined that bank reconciliations had been prepared for all twelve months for the fiscal year ending June 30, 2012, that evidence of management's review exists, and that the June 30, 2012 reconciled balance on the reconciliation agreed to the general ledger.

Credit Cards

1. *Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.*

We determined that nine credit cards were issued directly to individual Board or staff members in their personal names; however, as of December 31, 2011, all the cards were canceled. Board expenses charged to the credit cards are reimbursed to the cardholders only after submitting reimbursement request forms. We were informed that there have been no credit card purchases since 2009.

2. *Obtain the monthly statements for all credit/debit cards used during the period under examination and select for detailed review the largest (dollar amount) statement for the two cards with the most (dollar amount) activity:*
 - A. *Obtain the entity's supporting documentation for the largest purchase/charge shown on each selected monthly statement:*
 - *Determine if each purchase is supported by:*
 - *An original itemized receipt (i.e., identifies precisely what was purchased)*
 - *Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)*
 - *Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)*
 - *Determine if selected purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).*
 - B. *Determine if there is evidence of management review of the two selected statements.*

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No credit cards are issued in the name of the Board as stated above, and we were informed that there have been no credit card purchases since 2009. These procedures are not applicable.

Travel and Expense Reimbursement

1. Obtain a listing of all travel and related expense reimbursements during the period under examination and trace to the general ledger for completeness. Select for review the three persons who were reimbursed the most money:
 - A. Obtain all of the expense reimbursement reports of each selected person, including the supporting documentation, and choose the largest expense report from each person to review in detail:
 - Determine if each expenditure is:
 - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.) and applicable laws.
 - For an appropriate and necessary business purpose relative to the travel
 - Determine if each expenditure is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
[Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)
 - Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We determined the completeness of the general ledger travel expense transactions by reconciling the expense account to the cash disbursements and accounts payable accounts. We selected and reviewed expense reimbursement reports, as described above, including the supporting documentation, and noted no exceptions.

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Contracts

1. *Review accounting records (e.g., general ledgers, accounts payable reports, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five "vendors" that were paid the most money during the period and determine if there is a formal/written contract that supports the services arrangement.*

We selected and determined that formal/written contracts exist to support the service arrangements for the five highest paid vendors. No exceptions were noted.

2. *Obtain a listing of all active contracts and the expenditures made during the period under examination and trace to the general ledger for completeness. Select for detailed review the largest (dollar amount) contract in each of the following categories that was entered into during the period.*

- (1) *Services*
- (2) *Materials and supplies*
- (3) *Public works*

A. Obtain the selected contracts and the related paid invoices and:

- *Determine if the contract is a related party transaction by obtaining management's representation.*
- *Determine if the transaction is subject to the Louisiana Public Bid Law or Procurement Code:*
 - *If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)*
 - *If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.*
- *Determine if the contract was amended. If so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.*
- *Select the largest payment from each of the 3 largest contracts selected above and determine if the invoice(s) received and payment complied with the terms and conditions of the contract.*
- *Determine if there is documentation of board approval, if required.*

We determined the completeness of the general ledger transactions by reviewing a listing of all active contracts and noted no exceptions. We determined that the Board has no contracts for materials and supplies or for public works. We selected and reviewed the largest dollar amount contract for services as described above and noted no exceptions.

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Payroll and Personnel

1. ***Obtain a listing of employment contracts/salaries in force during the period under examination and trace to the general ledger for completeness. Select the five highest paid employees and:***

- ***Determine if payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract or pay rate structure.***
- ***Determine if changes made to hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.***

We determined that the Board had only one full-time employee and one part-time employee. The Louisiana Real Estate Commission staff provides administrative/accounting services for the Board. As such, an agreement between the Board and the Commission exists to allocate a portion of each staff member's salary to the Board. We reviewed both employees' salary, as described above, and noted no exceptions. In addition, we reviewed the allocation of the Commission's staff salaries to the Board and noted no exceptions.

2. ***Select the attendance and leave records for one pay period in which leave has been taken by at least one employee and:***

- ***Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)***
- ***Determine if supervisors are approving, in writing, the attendance and leave of all employees.***
- ***Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.***

We selected and reviewed the timesheets and leave records, as described above, for the one full-time employee and found that the employee had not taken any leave as of June 30, 2012. We selected and reviewed the timesheets and leave records, as described above, for one Commission staff member for the pay period ending March 18, 2012 and noted no exceptions.

3. ***Select the two largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by adequate documentation, made in strict accordance with policy and/or contract, and properly approved.***

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We reviewed, as described above, the termination payment, and allocation of the expense to the Board, made to two former Commission staff members who retired during the fiscal year and noted no exceptions.

Budget

1. *Obtain a copy of the legally adopted budget and all amendments.*

We obtained a copy of the 2011-12 adopted budget and amendments from the Chief Financial Officer.

2. *Trace the budget adoption and amendments to the minute book.*

We traced the 2011-12 budget adoption to the December 20, 2010 Board minutes. In addition, two budget amendments were approved by the Board, one at its December 19, 2011 meeting and one at its June 18, 2012 meeting.

3. *Compare the total revenues and total expenditures of the final budget to actual total revenues and total expenditures on the financial statements or AFR. Report variances of 10% or greater.*

We compared total revenues and total expenditures of the final budget to actual total revenues and total expenditures. Total actual expenditures were less than budget expenditures by 25% due to decreases in salaries, travel expenses, and professional services.

Debt Service

1. *If debt was issued during the financial statement period, verify that State Bond Commission approval was obtained, as applicable.*

The Board has no debt issued; therefore, this procedure is not applicable.

2. *Determine compliance with applicable debt covenants.*

This procedure is not applicable.

Corrective Action

1. *Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.*

We noted no exceptions as a result of the agreed-upon procedures; therefore, this procedure is not applicable.

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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 the Louisiana Real Estate Appraisers Board 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.

Roy Chenevert, CPA

Baton Rouge, Louisiana
August 25, 2012

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