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AGREED-UPON PROCEDURES REPORT
Tensas Basin Levee District
Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Year Ended June 30, 2012

To the Board of Commissioners

Tensas Basin Levee District:

I have performed the procedures enumerated below as they are a required part of the engagement. I am 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 "not applicable."

Management of the Tensas Basin Levee District 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 Tensas Basin Levee District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Tensas Basin Levee District'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, ethics).

Article 5 of the By-Laws requires two signatures on all disbursement checks, but allows the use of a facsimile stamp along with one original signature in case of emergency. I found that the Secretary now uses a facsimile stamp of the Executive Director to sign virtually all checks.

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.

The 13% increase in cash balances was anticipated due to strong net income for the fiscal year. The 21% increase in Richland Parish levee taxes was due to increased oil and gas revenues collected. The increase in assessed value for the parish is reflected in the annual report of the Louisiana Tax Commission.

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.

Cash

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

Proof of cash was prepared.

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.

The mail is opened by the Administrative Assistant, who is also responsible for making deposits.

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.

Bank reconciliations were prepared for all months covered. Reconciliations are prepared by the Administrative Assistant and reviewed by the Secretary. The reconciled balance at 6/30/2012 was out of balance with the general ledger by \$3,345.03. There were nine checks written and posted to the general ledger on the last day of the year that did not appear on the reconciliation.

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.

A listing was obtained.

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:

The statements were obtained.

- 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)

The receipt was attached to each.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)

The purpose was clearly identifiable by the nature of the transactions.

- Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)

No exceptions noted.

- 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).

No exceptions noted.

B. Determine if there is evidence of management review of the two selected statements.

Each of the statements chosen was approved for payment by the Chairman of the Finance Committee.

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:

Chose three.

- 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.

No exceptions noted.

- For an appropriate and necessary business purpose relative to the travel

No exceptions noted.

- 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.]

No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)

No exceptions noted.

- Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)

No exceptions noted.

- Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each was approved by the Chairman of the Finance Committee.

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.

Selected five.

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.

Management represents that there were no related party transactions.

- 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.)

No exceptions noted.

- If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.

No exceptions noted.

- 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.

The addition of lime to the soil on a road construction project caused a cost overrun in the public works project selected. Payment was approved by the Louisiana Department of Transportation and Development.

- 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.

No exceptions noted.

- Determine if there is documentation of board approval, if required.

No exceptions noted.

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.

No exceptions noted.

- Determine if changes made to hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

No exceptions noted.

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

Selected February, 2012

- 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.)

No exceptions noted.

- Determine if supervisors are approving, in writing, the attendance and leave of all employees.

No exceptions noted.

- Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.

No exceptions noted.

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.

No exceptions noted with the sole termination.

Budget

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

A copy of each was obtained.

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

The amendment was traced to the May, 2012 minutes.

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.

Expenditures were more than 10% favorable to budget.

Debt Service

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

The District has no debt.

2. Determine compliance with applicable debt covenants.

Not applicable.

Corrective Action

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

General

The Tensas Basin Levee District will amend its by-laws to allow for electronic signatures, and further amend the by-laws to require the Executive Director to review the payroll register prior to direct deposits being made/generated.

Cash

1. Mail will now be opened by the Executive Director.
2. Secretary will ensure that all entries for the month have been posted prior to reconciliation.

I was 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, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the Tensas Basin Levee 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.



John L. McKowen, CPA

August 20, 2012