

AGREED-UPON PROCEDURES REPORT

Louisiana Board of Drug and Device Distributors

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Year Ended June 30, 2020

To the Board of Directors of Louisiana Board of Drug and Device Distributors and the Louisiana Legislative Auditor:

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, I have marked "not applicable."

Management of the Louisiana Board of Drug and Device Distributors, a component unit of the State of Louisiana, 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 Board of Drug and Device Distributors and the Louisiana Legislative Auditor solely to assist the users in assessing certain controls and in evaluating management's assertions about the Louisiana Board of Drug and Device Distributors compliance with certain laws and regulations during the year ended June 30, 2020.

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, I 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.

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories, as applicable:

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

The policies and procedure include preparing, adopting, monitoring and amending the budget.

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law or state purchasing rules and regulations, as applicable to the Entity; and (5) documentation required to be maintained for all bids and price quotes.

The policies and procedures address each of the items listed in b above

c) **Disbursements**, including processing, reviewing, and approving.

The policies and procedures for disbursements include processing, reviewing and approval.

d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, reasonableness of cash collections based on licenses issued).

The policies and procedures address receiving, recording and preparing deposit and management's action to determine the completeness of collection of licenses and other revenue.

e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The payroll policies include each of the above procedures.

f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The policies and procedures that address credit card usage include all five of the points listed above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g. determining the reasonableness of fuel card purchases).

The policies and procedures that address credit card usage include all five of the points listed above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (2) documentation requirements, (3) time-frame in which requests must be submitted and (4) required approvers

The board uses the policies and procedures regarding travel and expense reimbursements that are set up by the Louisiana Division of Administration, Office of State Travel for employees under the provisions of R.S 39:231.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees annually attest through signature verification that they have read the Louisiana Board of Drug and Device Distributors ethics policy.

The policies and procedures do not address ethics. The policies established by the State of Louisiana are being used by the Board.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The board does not have any debt.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Disaster Recovery/Business Continuity procedures address each of the above items.

Annual Fiscal Report (AFR)

2. Obtain the financial statements from the AFR submitted to the Division of Administration's (DOA) Office of Statewide Reporting and Accounting Policy for the current and prior periods. Perform analytical procedures comparing current and prior period amounts, by line item. Report any variances of 10% or greater for line items that are 10% or more of the respective total assets/deferred outflows of resources, liabilities/deferred inflows of resources, net position, revenues, or expenses, and management's explanation of the variance.

There is a variance of more than 10% with respect to Deferred Outflows and Inflow of resources, total liabilities, and expenses.

The variance for deferred outflow and inflow of resources, and total liabilities is the actuary adjustments made to OPEB and Net Pension liabilities.

Expenses increased by 23% from an increase in the adjustment made by the actuary to pension expense.

Board Meetings/Minutes

3. Obtain and inspect the board minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the minutes referenced or included monthly budget-to-actual comparisons.

The is reference included in the minutes that the budget-to-actual comparisons is being reviewed.

- b) Access the entity online information included in the DOA's boards and commissions database (<https://www.cfrd.louisiana.gov/boardsandcommissions/home.cfm>) and observe that the entity submitted board meeting minutes for all meetings during the fiscal period.

The entity has submitted the board meetings minutes on the DOA's boards and commission's database.

Bank Reconciliations

4. Obtain a listing of bank accounts for the fiscal period from management and management's representation that the listing is complete. For each of the bank accounts in the listing provided by management, obtain bank statements and reconciliations for all months in the fiscal period and observe that:

A list of accounts was provided by management.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

There is evidence that each of the bank reconciliations were prepared within 2 months of the related statements closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged);

There is evidence that a member of management who does not handles cash/deposits, postings to the ledger or issue checks has reviewed the bank reconciliations.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months at the statement closing date; and

Only one of the five accounts had transactions outstanding for more than 6 months from the closing date and there is evidence that these outstanding balances have been reviewed.

- d) The reconciled balance for the final month of the fiscal period agrees to the general ledger.

The reconciled balance of all five bank accounts agree with the general ledger balance at the end of the fiscal year.

Receipts/Collections

5. Obtain and inspect written policies and procedures relating to employees job duties (if no written policies or procedures, inquire of employees about their job duties), and observe that job duties for collections are properly segregated such that:

- a) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts or license applications received) to the deposit.

There is no cash collected, however, this is a two person office and the same employee prepares and makes the deposit; however, there is an outsourced accounting firm that reconciles collections to the bank statement and general ledger which mitigates this weakness.

- b) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to the deposit.

There is a different employee that collects the deposits and post them to the general ledger. There is also an outsourced accounting firm that reconciles the ledger postings to each other and to the deposits.

- c) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source are not responsible for collecting cash, unless another employee verifies the reconciliation.

The individual that is reconciling collections to the general ledger is not the same individual responsible for collecting the deposits.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

There is no cash collected and there is not a bond or insurance that covers theft.

- 7. Randomly select 5 deposit dates for each of the bank accounts (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 5 deposits for each bank account and:

- a) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Sequentially numbered deposits and system reports were traced to the deposit slips.

- b) Trace the deposit slip total to the actual deposit per the bank statement.

Deposits were traced to the actual deposit in the bank statement.

- c) Observe that the deposit was made within one business day of collection (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

The entity deposits the payments for the initial licenses when the application is received and that may not necessarily be on the same day. However, the renewals are paid by either making a payment using a credit card or an e-payment. These electronic deposits usually take between 2 to 7 days before they are deposited.

- d) Trace the actual deposit per the bank statement to the general ledger.

The actual deposits were traced to the posting to the general ledger.

- 8. Obtain and inspect written policies and procedures (if no written policies and procedures, inquire to management) and observe that there is a process performed to determine completeness of all collections, including electronic transfers, for each revenue source (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, reasonableness of cash collections based on licenses issued) by a person who is not responsible for collections.

There are policies and procedures performed to determine completeness of all collections, including electronic transfers for each revenue source. When collections are made by credit card and e-checks, these collections are being reconciled by a person that is not collecting the fees; however, checks that are received are being recorded and reconciled by the same employee. There are only two full time employee that handles the collections and the posting of those collections which makes segregation of these duties not practicable. No exception.

- 9. For licensing boards, obtain a list of initial and renewal licenses granted during the period from management and management's representation that the listing is complete. Randomly select 10 individual applicants from the listing and obtain the supporting documentation (e.g. application, copy of check) from management and:

- a) Observe that the fee paid for license was the appropriate fee based on the applicable fee schedule established by the board or statute.

The fee paid for the license agrees with the applicable fee schedule of fees established by statute.

- b) If a penalty was assessed (e.g. late fee), observe that the penalty was assessed and collected in accordance with the board's policies.

None of the licenses selected had penalties assessed.

10. For levee districts, obtain independent confirmation of the tax amounts received from the appropriate parish Sherriff's offices. Observe that the confirmed amount agrees to the amount deposited by levee district.

Not applicable

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

11. Obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employees job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

The same employee that initiates a purchase request also approves the purchase and places the order. The limited number of staff does not allow normal operating purchases of supplies to have appropriate segregation of duties; however, large purchases are approved by the board.

- b) At least two employees are involved in processing and approving payments to vendors.

Same as a above.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Same as a above.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The employee that signs the check gives the signed check to an employee that is responsible for processing the payment to mail. Lack of the ability to segregate duties as explained in (a) above.

12. Obtain the entity non-payroll disbursement transaction population (excluding cards and travel reimbursements which are addressed in separate sections below) and obtain management's representation that the population is complete. Randomly select 5 disbursements, obtain supporting documentation (e.g. purchase requisition, invoices, receipts, receiving slips) for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement

Each of the disbursements selected matched the related original invoice.

- b) Observe that the disbursement documentation included evidence (e.g. initial/date, electronic logging) of segregation of duties tested under #11, as applicable.

The invoices that were paid indicated that the same employee that made the purchase also approved the invoice; however, a different individual approved payment of the invoice before the check was signed by a different employee.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

13. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. Randomly select 2 monthly statements or combined statements for each card (for a debit card, randomly select 2 monthly bank statements), obtain supporting documentation, and:

I obtained a list of two credit cards from management. There are no debit cards, fuel cards or P-cards.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g. original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

There is evidence that each monthly statement and supporting documentation was approved by someone other than the card holder, The card holder did review the charges before they were reviewed.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

There were no finance charges or late fees on any of the selected statements.

14. Obtain supporting documentation for all transactions included on the monthly statements or combined statements selected in #13 above. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

The supporting documentation included on the two monthly statements selected had (1) original itemized receipts of each of the purchase, (2) written documentation of the business purpose. Neither of the statements have charges for meals.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

15. Obtain from management a listing of all travel and travel-related expense reimbursements paid to employees and board members during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana in PPM49 (<https://www.doa.la.gov/pages/osp/travel/TravelPolicy.aspx>) or the U.S. General Services Administration (www.gsa.gov).

Of the 5 reimbursements selected, the per diem rates used agreed with the established rates in PPM49 with the exception of one. Meals were reimbursed using the Tier II rate and not the Tier I rate that should have been used. I observed other meal reimbursements and each of them were using the proper Tier. After discussing this with management and after reviewing other meal reimbursements using the per diem rate, this appears to be an isolated incident.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Those transactions that were reimbursed using actual cost were all supported by original itemized receipts.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Each reimbursement observed was supported by documentation of the business purpose in writing.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each reimbursement was reviewed and approved in writing by someone other than the person receiving the reimbursement.

Contracts

16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Procurement Code or the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
None of the contracts required a bid in accordance with the Louisiana Procurement Code or the Louisiana Public Bid Law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy.
All contracts observed were approved by the governing body.
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.
One of the contracts observed was amended and the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.
One invoice was obtained for each of the five contracts selected. Each of the invoices agreed with the terms of the contract.

Payroll and Personnel

17. Obtain a listing of employees employed during the fiscal period, and management's representation that the listing is complete. Randomly select 5 employees (or select all employees if less than 5), obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
A list of 3 employees was obtained from management. The authorized salaries in the personnel files agrees with the amount paid.
18. Randomly select 2 pay periods during the fiscal period. For the employees selected under #17 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
All selected employees documented their daily attendance and leave.
 - b) Observe that supervisors approved the attendance and leave of the selected employees.
Supervisors approved the attendance and leave of the selected employees.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity cumulative leave records.
Leave accrued or taken during the pay period were reflected in the cumulative leave records.
19. Obtain a listing of those employees that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employees' cumulative leave records, and agree the pay rates to the employees' authorized pay rates in the employees' personnel files.
There were no terminated employees during the year.

20. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management has represented to me that payroll taxes, retirement contributions, health insurance premiums and workers compensation premiums have been paid and associated forms have been filed timely.

Ethics

21. Using the 5 randomly selected employees from procedure #17 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee completed one hour of ethics training during the fiscal period.

Each employee demonstrated they had completed the one hour ethics training during the fiscal year.

- b) Observe that the documentation demonstrates each employee attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Best practices recommends the employees sign a verification that they have read the ethics policy. This agency does not have the employees sign a verification and rely on the ethic certificate to indicate the employee has read the ethics policy.

22. Obtain a listing of board members from management. Randomly select 5 board members and observe documentation to demonstrate that required annual ethics training was completed.

Each of the board members selected demonstrated the required annual ethics training was completed.

Budget

23. Obtain a copy of the legally adopted budget, including all amendments, and the board minutes. Observe the minutes contain approval of the budget and amendments.

A copy of the legally adopted budget and its amendment was obtained.

24. 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.

When comparing the total revenue and total expenses of the final budget to the actual revenues and expenditures on the AFR report, none of the variances were greater than 10%.

25. Inquire of management whether the entity has updated its budget information in the DOA's boards and commissions database referred to in #3 above for the current fiscal period (i.e. period covered in these procedures). Access the online database and obtain the budget information for the current fiscal period. Observe that the budget information contained in the database agrees to the budget adopted by the entity board.

Management has informed me they are updating its budget information in the DOA's database and when viewing the database information, the final amended budget is posted to this site.

Debt Service– Not applicable

26. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

27. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Sexual Harassment

28. Obtain and inspect the entity written sexual harassment policies and procedures and observe that they address all requirements of R.S. 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

There is a written sexual harassment policy that was established by the board in 2017; however, there are several of the requirements of R.S. 42:342 omitted from their policy.

29. Obtain a listing of employees/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/board member completed at least one hour of sexual harassment training during the calendar year.

Of the 3 employees and 5 board members selected, each of them had documentation that demonstrated they have at least one hour of sexual harassment training during the calendar year.

30. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity premises if the entity does not have a website).

The entity does not have the sexual harassment policy or complaint procedures posted its website; however, they are posted within the agency building in a conspicuous location.

31. Obtain the entity annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:342.

The required annual report was prepared and it did include the applicable requirements of R.S. 42:342.

Other

32. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

There were no misappropriation of public funds or assets during the fiscal year.

33. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. This notice is available for download or print at www.lla.la.gov/hotline.

Not applicable.

Exception 2020-01 Sexual Harassment Policy

Criteria – The sexual harassment policy should address all of the requirements of R.S. 42:342.

Condition – There are several requirements included in R.S. 42:342 that are not included in the sexual harassment policy that was approved by the board,

Corrective Action

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

Exception 2020 – 01 Sexual Harassment Policy

Response – LRS 42:342 was initiated in 2018 and amended in 2019. The Board approved the sexual harassment policy in 2017 and needs to updated the present policy to include these additional requirements.

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 did 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.

The purpose of this report is solely to describe the procedures performed and the results of those procedures to assist the users in assessing certain controls and management's assertions about compliance with laws and regulations, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under R.S. 24:513, this report is distributed by the Legislative Auditor as a public document.

September 25, 2020

Michael K Glover CPA; APAC

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