

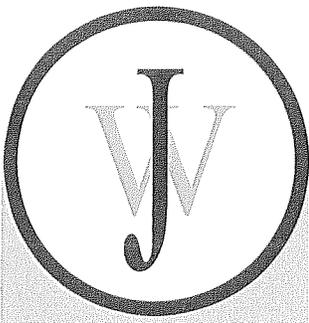
State of Louisiana
Board of Private Security Examiners

Fiscal Year ended June 30, 2017
Agreed-Upon Procedures Report

**State of Louisiana
Board of Private Security Examiners**

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J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Louisiana State Board of
Private Security Examiners

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 "not applicable."

Management of the Louisiana State Board of Private Security Examiners, 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 State Board of Private Security Examiners 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 State Board of Private Security Examiners' compliance with certain laws and regulations during the year ended June 30, 2017.

This agreed-upon procedures engagement was conducted 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.

The procedures and associated findings are as follows:

Follow-up on Prior-year Findings

Inadequate Bank Reconciliation Process

During fiscal year 2016, the Board did not reconcile its operating account in a timely manner, and management did not adequately review those reconciliations, resulting in \$995 of undetected errors in the year-end accounting records.

- The book balance reported on the June 2016 reconciliation did not agree with the book balance in the general ledger. As a result, there were two errors, totaling \$995, in the general ledger at year-end that were not identified on the reconciliation.

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- Three reconciliations were completed between 56 and 143 days after the month ended.
- One bank reconciliation was reviewed 338 days after it was completed, while reconciliation was signed by management prior to completion.
- Eight reconciliations did not contain evidence of management review. Although management signed the underlying bank statements, the review date on five of those statements was prior to the date the reconciliation was completed.

(Recommendation) Board management should ensure that the Board's accounts are reconciled monthly and that reconciliations are timely approved by management. Management concurred with the finding and outlined a plan of corrective action. See current year findings under Bank Reconciliations.

Required Ethics Training not completed

For calendar year 2015, the Board's eight members and 13 out of 14 of its employees did not obtain ethics training in accordance with R.S. 42:1170(3)(a)(i), which requires that all public servants complete a minimum of one hour of education and training on the Code of Governmental Ethics during each year of their public employment or terms of office.

(Recommendation) Board management should ensure that each member and employee comply with the Code of Governmental Ethics and receive the annual ethics training required by Louisiana law. Management concurred with the finding and outlined a plan of corrective action. Review Ethics under Other Results of Procedures for current status.

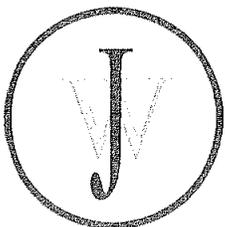
Current Year Findings

Bank Reconciliations

The Board maintains three checking accounts used for Board operations. Two staff persons participate in fee collection, disbursement, and reconciliation activities. We performed procedures to reconcile cash transactions to the Board's general ledger and bank statements, and evaluated the segregation of duties between Board staff. We reviewed the bank accounts reconciliations to see if they were performed monthly and if the bank statements were reviewed timely by the Executive Director. Our results were that in one instance it was completed in more than 45 days after the month ended.

Good internal control requires a monthly reconciliation of bank account balances to the accounting records with supervisory approval completed and reviewed in a timely manner. Bank reconciliations provide management with a basis to ensure that all transactions that affect both the bank accounts and the accounting records are in agreement.

Management should ensure that the Board's accounts are reconciled monthly and that reconciliations are timely approved by management. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).



Disbursements – Other General

We obtained the Board’s policy relating to disbursements. We reviewed the policy to determine if policy addressed procedures relating to processing, reviewing and approving disbursements. We obtained a listing (general ledger) of the Board’s disbursements from management. From the listing we randomly selected five disbursements. We obtained supporting documentation for each of the disbursements. We looked to see if an original itemized receipt or invoice existed that identified precisely what was purchased or acquired. We looked to see if the documentation provided for the business/public purpose of the transaction. For each transaction selected we compared the Board’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. For one contract services were paid in advance. In reviewing invoices for I.T. services we discovered that payment for services were made in advance of services. Such payment could be in violation of Article 7, Section 14 of the Louisiana Constitution.

Management should ensure that all disbursements are made according to the proper timing as required by the Louisiana Constitution. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

We looked to determine if writing documentation existed indicating who reviewed and approved transaction and determined if that individual is someone other than the person who initiated the purchase. For two (2) of the transactions there was no documentation confirming that the Executive Director or designee had approved payment of the transactions.

Inadequate controls relating to monitoring and reviewing transaction increases the risk of error or fraud. Management should ensure that transactions are proper and the purpose is relevant to the Board.

Management should establish controls to ensure that transactions are reviewed and approved by someone other than the person who initiated the purchase. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

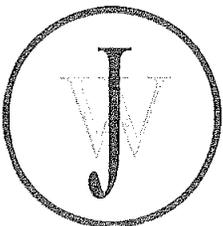
Other Results of Our Procedures

Written Policies and Procedures

We obtained the board’s written policies and procedures relating to financial/business functions as addressed in this report. Any exceptions are noted under current findings.

Annual Fiscal Report (AFR)

We obtained 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. We performed analytical procedures comparing current and prior period amounts by line item. We inquired of management if there was a variance 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, and/or expenses. There was a decrease in capital assets in the amount



of \$29,682. Management's response this was due to the loss of equipment lost from the flooding that occurred in the Baton Rouge area. An increase in other liabilities in the amount of \$100,866 was due to an increase in fees due to the LA State Police. The Board was unable to transmitted documentation to the LA State Police for processing (due to the flood event) causing a significant backlog in activity. A significant increase was noted relating to operating expenses. According to Management this was due to the recording of pension related expenses. We noticed that beginning net position for fiscal year ending June 30, 2017 didn't tie to ending net position for fiscal year ending June 30, 2016. According to Management the AFR submitted to the Division of Administration for the year ended June 30, 2016 was submitted on cash basis. DOA then adjusted the statements to conform to GASB; but did not change AFR.

Board Activity

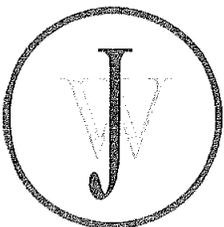
We obtained and reviewed the board minutes for the fiscal year ended June 30, 2017. The Board of commissioners is scheduled to meet on a quarterly basis. For meetings for the fiscal year there was a quorum to conduct business for each of the meetings reviewed. We reviewed the minutes to determine if there was a reference to the introduction of monthly budget to actual comparisons financials and/or a reference that budget comparative financials were provided to commissioners. Additionally, we accessed the Board's online information included in the DOA's boards and commissions' database to determine if the Board submitted board meeting notices and minutes for all meetings during the fiscal period. Based on the results of our procedures, no exceptions were identified.

Collections

We reviewed the Board's policy relating to receipts. We reviewed policy to determine if policy contained procedures relating to the receiving, recording and preparation of deposits. We obtained existing documentation relative to insurance policies, policy manual and job descriptions to determine whether each person responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transactions, and reconciling the related bank account(s). The administrative staff prepares schedule of daily collections. A secondary staff member prepares daily deposits and records payments to accounting system. Deposits are signed off and approved by Executive Director. Based on the results of our procedures, no exceptions were identified.

We selected the highest (dollar) week of cash collections from the general ledger and using the Board's collection documentation (e.g. deposit slips and bank statements) we traced the daily collections to the deposit date on the corresponding bank statement. We reviewed the date of collections and compared it to the date that deposits were made to determine if deposits were made within one day of collections. We reviewed the receipt books provided and considered if the receipts were sequentially numbers. We verified if daily cash collections were completely supported by documentation. Based on the results of our procedures, no exceptions were identified.

We reviewed the process as outlined in the Board's policy regarding completeness of all collections, including electronic transfers. Documentation is placed in the file of each licensee showing payments and form of payment. For electronic payments, reports are uploaded and compared to records of payment for each licensee's file.



We obtained a list of initial and renewal licenses granted during the period from management and management's representation that the listing is complete. We randomly selected 10 individual applicants from the listing and obtained the supporting documentation (e.g. application, copy of check) from management. We verified if the fee paid for license was the appropriate fee based on the applicable fee schedule established by the board or statute. We reviewed to see if any penalty was assessed; if so was assessed penalty collected in accordance with the board's policies. Based upon our procedures, no exceptions were identified.

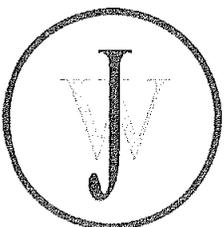
Credit Cards/Debit Cards/Fuel Card/P-Cards

We reviewed the Board's written policy regarding credit cards (and debit cards, fuel cards, and P-Cards). We reviewed the policy to determine if procedures included (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage. We obtained a list from the Board of all active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and the names of the persons who maintained possession of the cards. We selected all cards that were used during the fiscal period ending June 30, 2017. We obtained the monthly statements with the largest dollar activity for each card selected. We looked for evidence that the monthly statements along with supporting documentation for transactions were reviewed and approved, in writing, either by the Executive Director or a commissioner. Additionally, we reviewed the selected statements to determine if any finance charges and/or late fees had been assessed. Based on the results of our procedures, no exceptions were identified.

Using the monthly statements for the cards selected above, we obtained supporting documentation for all transactions for each of the cards selected. For each transaction, we looked to see if an original itemized receipt was presented. We looked for documentation to address the business/public purpose of the transaction. If meal charges were involved in the transaction, we looked to see if there was documentation indicating the individuals participating in the transaction. For each transaction we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Board's written purchasing/disbursement policies and the Louisiana Public Bid Law. Also, we compared the Board's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. Based on the results of our procedures, no exceptions were identified.

Travel Expenditures

We obtained from the Board a listing of all travel and related expense reimbursements, by person during the fiscal year ending June 30, 2017. We obtained the Board's written policies relating to travel and expense reimbursements. From documentation provided we selected the three individuals who incurred the most travel costs during the fiscal period ending June 30, 2017. We obtained the expense reimbursement reports of each person selected, including the supporting documentation, and we chose the largest travel expense for each person to review in detail. We compared expense documentation to written policies to determine whether each expense was reimbursed in accordance with written policy. We looked to determine if an original itemized receipt that identified precisely what was purchased. We looked to determine if the documentation provided



indicated the business/public purpose of the transaction. For each transaction selected we compared the Board's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. For the transactions considered there were no instance whereby the request for travel and/or expense reimbursement was submitted more than 30 days following the date of travel. Based on the results of our procedures, no exceptions were identified.

Contracts

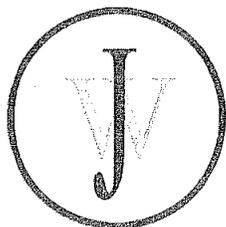
We obtained the Board's policy relating to contracting for services. We reviewed policy to determine if policy included guidelines relating to (1) types of services requiring written contracts, (2) standard terms and conditions, (3) approval process, and (4) monitoring process. We obtained a list of all contracts in effect during the fiscal year ending June 30, 2017. We randomly selected five contract vendors that were paid during the fiscal period. We looked to determine if a formal/written contract that supported the services arrangement and the amount(s) paid to vendors was done. We compared each contract's detail as it related to the Louisiana Public Bid Law or Procurement Code. None of the contracts selected met the requirements under the Louisiana Public Bid Law. We inquired of a reviewed documentation to see whether the Board solicited quotes as a best practice. None of the contracts considered were amended during the fiscal period ending June 30, 2017. We selected the largest payment from each of the contracts and obtained the supporting invoice(s) and compared the invoice(s) to the contract terms. We reviewed documentation provided, including board minutes to determine if the board of commissioners had approved the execution of the contracts. Based on the results of our procedures, no exceptions were identified.

Payroll and Personnel

We obtained a copy of the Board's policies relating to payroll/personnel issues. We reviewed policies to determine (1) payroll processing and (2) process for reviewing and approving time and attendance records, including leave and overtime worked. We obtained a listing of employees with their related salaries. We randomly selected five employees and obtained their personnel files. We reviewed compensation paid to each employee during the fiscal period to determine if payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure. We noted no changes in hourly pay rates/salaries during the fiscal period. Therefore no procedures were performed relating to changes in hourly pay rates/salaries. Based on our procedures, no exceptions were identified.

We obtained attendance and leave records and randomly selected one pay period in which leave had been taken by at least one employee. We looked to determine if all employees' documentation were approved by a supervisor. We looked to determine if appropriate documentation existed relating to written leave records. Based on our procedures, no exceptions were identified.

We obtained from management a list of those employees that terminated during the fiscal period. Personnel file was obtained for one employee. We considered and looked at documentation of the discharged employee to determine if final payment was made in strict accordance with policy and approved by management. Based on our procedures, no exceptions were identified.



Ethics

We obtained the Board's policy relating to ethics and to determine if policy included (1) the prohibitions as defined in LA R.S. 42:1111-1121, (2) actions to be taken if an ethics violation takes place, and (3) system to monitor possible ethics violations. We selected five employees and five commissioners and obtained documentation to demonstrate that required annual ethics training was completed. We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period ending June 30, 2017. Based on the results of our procedures, no exceptions were identified.

Budget

We obtained a copy of the Board's policy regarding budgetary procedures. We reviewed the policy to determine if it included steps relating to the preparation, adopting, monitoring and amending the budget. We obtained a copy of the legally adopted budget for the fiscal year ending June 30, 2017. We traced the budget adoption to the minute documentation of the Board. We compared the total revenues and total expenditures of the final budget to actual total revenues and total expenditures on the financial statements. We noted no variances of 10% or greater. We inquired of management whether the Board has updated its budget information into the DOA's boards and commissions' database for the fiscal period ending June 30, 2017. We accessed the online database to obtain the budget information for the fiscal period June 30, 2017. We detected no differences between the budget information contained in the database and the budget adopted by the Board of commissioners. Based on our procedures, no exceptions were identified.

Debt Service

The Board issued no debt obligations for the fiscal year ending June 30, 2017. Also, they do not have any outstanding debt therefore; no procedures were performed relating to debt service.

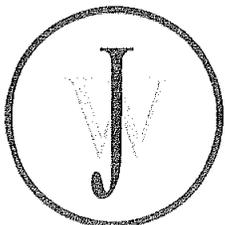
Other

We inquired of the management of the Board if there were any misappropriations of public funds or assets. Management indicated that they were unaware of any misappropriation of public funds or assets from the Board.

The Board didn't enter into a contract for the audit or attest services other than these agreed-upon procedures for the fiscal year ending June 30, 2017.

Corrective Action

We obtained management's response and corrective action plan for exceptions noted in the above agreed-upon procedures. See Appendix A for management's response and corrective action plan.

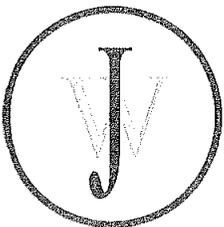


We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The report is intended solely for the use of management of the Louisiana State Board of Private Security Examiners 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 LLA as public document.

J. Walker & Company, APC

Lake Charles, Louisiana
September 26, 2017



Appendix A



10.9.2017

LSBPSE Executive Order No. 17-006

To
Legislative Auditor & Staff

Purpose:

From
Fabian P. Blache III
Executive Director & CAO

To provide substantive responses to the 2016-2017 Legislative Audit, and to direct staff on corrective actions resulting from the audit findings of:

- **INADEQUATE BANK RECONCILIATION PROCESS**
- **DISBURSEMENTS – OTHER GENERAL**

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Statement:

We concur with the findings and offer the following corrective action plans.

Re
LSBPSE Executive
Order 17-006
Audit Responses

Response and Plan:

The following corrective actions have been taken or are in process to improve the listed internal control(s):

1. Bank Reconciliations
 - a. The LSBPSE will conduct timely, monthly bank reconciliations at the close of each statement period
 - i. Agency bookkeeper will produce statements for review by the Executive Director within the thirty (30) day timeframe found in LLA guidance
 1. This process has already commenced for fiscal 2016-2017 and aligns with this corrective action
 2. The audit revealed that the Board's process improved exponentially from prior year audits
 3. During this audit period, there was one (1) reconciliation that was executed beyond 30 days

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- a. Internal review of the lapse determined that flood remediation was a factor in the delay
- 2. Disbursements – The LSBPSE will ensure that all contracts are compliant with Article 7, Section 14 of the Louisiana Constitution in that:
 - a. Payments to any vendor providers will not be executed in advance of the billing cycle
- 3. Disbursements – The LSBPSE will ensure that all payments/disbursements have clear documentation of management review approving payment/transactions
 - a. Two (2) transactions for the IT provider were processed without the executive Director's signature

Any questions regarding this memorandum should be directed to Fabian Blache III at 225-272-2310 Ext. 8.

FPBIII/bah