

**Bayou D'Arbonne Lake Watershed District**

**Agreed-Upon Procedures**

**December 31, 2019**



Independent Accountant's Report  
On Applying Agreed-Upon Procedures

**For the Year Ended December 31, 2019**

To the Board of Commissioners of Bayou D'Arbonne Lake Watershed District and the Louisiana Legislative Auditor:

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 Bayou D'Arbonne Lake Watershed District, 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 Bayou D'Arbonne Lake Watershed District and the Louisiana Legislative Auditor solely to assist the users in assessing certain controls and in evaluating management's assertions about the Bayou D'Arbonne Lake Watershed District compliance with certain laws and regulations during the year ended December 31, 2019.

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.

### ***Written Policies and Procedures***

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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.

No exceptions were noted.

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.

We noted that the above five areas were not addressed in the entity's written policies and procedures.

#### ***Management's Response and Corrective Action Plan:***

The Commission makes very few purchases of tangible items but in such cases, the Commission bookkeeper emails the Commission President and Treasurer requesting approval for the purchase and the purchase is made only after email approval from either the President or the Treasurer. Purchases involving significant expenditures are approved by the Commission at a public meeting.

The Commission attorney reviews all transactions for compliance with public law requiring bids or quotes and the Commission attorney and/or the Commission engineer maintain documentation for all bids and quotes.

A section will be added to the Commission's Written Policies and Procedures pertaining to Purchasing which will include the above processes.

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

We noted that reviewing and approving of disbursements was not addressed in the entity's written policies and procedures.

**Management's Response and Corrective Action Plan:**

Current practice is the Commission bookkeeper emails the Commission President and Treasurer (and attaches any pertinent documents such as an invoice, contract, etc.) requesting approval for a disbursement. The disbursement is made only after email approval from either the President or the Treasurer.

The section of the Commission's Written Policies and Procedures pertaining to Disbursements will be revised to include the above process.

- 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).

We noted that recording and preparing deposits and a process to determine the completeness of all collections was not addressed in the entity's written policies and procedures.

**Management's Response and Corrective Action Plan:**

Each check received by the Commission is reviewed by the bookkeeper, a deposit slip is prepared, the deposit recorded in QuickBooks and then deposited in the bank. The bookkeeper retains copies of all checks and deposit slips, as well as the deposit receipt. At the end of each month, the bookkeeper sends the Commissioners a bank statement, reconciliation, and financial report which reflect all receipts and disbursements.

The section of the Commission's Written Policies and Procedures pertaining to Receipts/Collections will be revised to include the above process.

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

Not applicable.

- 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.

We noted that areas (2), (3) and (4) were not addressed in the entity's written policies and procedures.

**Management's Response and Corrective Action Plan:**

The Commission attorney determines if a transaction requires a written contract and ensures that contracts utilize appropriate terms and conditions to comply with applicable law and required approvals.

The section of the Commission's Written Policies and Procedures pertaining to Contracting will be revised to include the above processes.

- 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).

Not applicable.

- 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

Not applicable.

- 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 entity's ethics policy.

We noted that the above four areas were not addressed in the entity's written policies and procedures.

**Management's Response and Corrective Action Plan:**

The Commission will prepare a procedure to address the ethical issues referred to above.

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

Not applicable.

- 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.

We noted that the above 6 areas were not addressed in the entity's written policies and procedures.

**Management's Response and Corrective Action Plan:**

Due to its limited size, the Commission has no formal disaster recovery / business continuity plan. However, the Commission's financial data and programs are periodically backed up. The Commission will review the recovery / continuity areas referred to above and as appropriate will be implemented in the Commission's Written Policies and Procedures.

**Annual Fiscal Report (AFR)**

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- 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.

Cash and cash equivalents increased by 11.79% and other revenues increased by 72.11% primarily due to FEMA reimbursements for repairs due to the 2016 floods. Payables decreased by 100% due to a correction of a prior period error.

**Board Meetings/Minutes**

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- 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 board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

No exceptions were noted.

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

No exceptions were noted.

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

No exceptions were noted.

### ***Bank Reconciliations***

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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) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);  
No exceptions were noted.
  - 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);  
No exceptions were noted.
  - 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  
No exceptions were noted.
  - d) The reconciled balance for the final month of the fiscal period agrees to the general ledger.  
No exceptions were noted.

### ***Receipts/Collections***

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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.  
No exceptions were noted.
  - 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 each other and to the deposit.  
No exceptions were noted.
  - 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.  
No exceptions were noted.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.  
No exceptions were noted.
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.

No exceptions were noted.

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

No exceptions were noted.

- 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).

Based on the documentation provided, we were unable to determine if the deposit was made within one business day of collection.

***Management's Response and Corrective Action Plan:***

The Commission's post office box is located approximately 20 miles from the location of the bookkeeper and thus, most checks are not deposited within one day of collection. The Commission is taking steps to open a new post office box to address this situation.

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

No exceptions were noted.

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.

No exceptions were noted.

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.

Not applicable.

- 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.

Not applicable.

10. For levee districts, obtain independent confirmation of the tax amounts received from the appropriate parish Sheriff'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)***

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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.

No exceptions were noted.

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

No exceptions were noted.

- 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.

No exceptions were noted.

- 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.

No exceptions were noted.

12. Obtain the entity's 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

No exceptions were noted.

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

No exceptions were noted.

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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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:

- 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.

Not applicable.

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

Not applicable.

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.

Not applicable.

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

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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](http://www.gsa.gov)).

Not applicable.

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

Not applicable.

- 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).

Not applicable.

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

Not applicable.

### ***Contracts***

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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.

Not applicable.

- b) Observe that the contract was approved by the governing body/board, if required by policy.

No exceptions were noted.

- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.

Not applicable.

- 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.



No exceptions were noted.

### ***Payroll and Personnel***

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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.

Not applicable.

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).

Not applicable.

- b) Observe that supervisors approved the attendance and leave of the selected employees.

Not applicable.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Not applicable.

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.

Not applicable.

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.

Not applicable.

### ***Ethics***

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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.

Not applicable.

- 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.

Not applicable.

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.

No exceptions were noted.

## ***Budget***

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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.

No exceptions were noted.

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.

We noted that total revenues exceeded budgeted revenues by 30% and total expenditures exceeded budgeted expenditures by 72% both due primarily to the FEMA Channel Marker Project.

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's board.

No exceptions were noted.

## ***Debt Service***

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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.

Not applicable.

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).

Not applicable.

## ***Sexual Harassment***

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28. Obtain and inspect the entity's 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.

We noted that the District did not have written sexual harassment policies and procedures.

### ***Management's Response and Corrective Action Plan:***

The Commission adopted a Sexual Harassment Policy at its May 19, 2020 meeting. Some of the requests listed would not apply to the Commission because it has no office. The Commission will take steps to implement the requirements of state law relative to Sexual Harassment and revise its written Policies and Procedures accordingly.

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.

We noted that the 5 selected board members did not complete the required sexual harassment training.

***Management's Response and Corrective Action Plan:***

The Commission will take steps to implement the requirements of state law relative to Sexual Harassment.

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's premises if the entity does not have a website).

We noted that the District has not posted the required sexual harassment policy and complaint procedure on its website.

***Management's Response and Corrective Action Plan:***

The Commission will take steps to implement the requirements of state law relative to Sexual Harassment.

31. Obtain the entity's 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. 42:344.

We noted that the Commission did not complete an annual sexual harassment report for the current fiscal period.

***Management's Response and Corrective Action Plan:***

The Commission will take steps to implement the requirements of state law relative to Sexual Harassment.

***Other***

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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 misappropriations of public funds and assets during the fiscal period.

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.la.gov/hotline](http://www.la.gov/hotline).

The Commission has no physical premises; however we noted that the required notice was not posted on the agency's website as required by R.S. 24:523.1.

***Management's Response and Corrective Action Plan:***

Steps will be taken to post the required notice on the Commission's website.

***Corrective Action***

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

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

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 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.

*Hienz & Macaluso, LLC*  
Metairie, LA  
June 29, 2020

**Bayou D'Arbonne Lake Watershed District  
Summary Schedule of Prior Year Findings  
For the Year Ended December 31, 2019**

Year Ended December 31, 2018

**Written Policies and Procedures**

The District does not have written policies and procedures over the following areas:

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

***Disbursements*** – reviewing and approving of disbursements.

***Receipts*** – recording and preparing deposits and a process to determine the completeness of all collections.

***Contracting*** – standard terms and conditions, approval process, and monitoring process.

***Ethics*** – (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, and (3) system to monitor possible ethics violations.

**These findings were repeated in the current year.**

**Annual Fiscal Report (AFR)**

We were unable to obtain explanations for variances in accounts payable and accruals, expenses and general revenues.

**This finding was resolved in the current year.**

**Collections**

We were unable to determine if deposits selected for testing were made within one day of collection.

**This finding was repeated in the current year.**

**Non-Payroll Disbursements – Other General**

We noted that each expense selected for testing was not reviewed and approved, in writing, by someone other than the person who initiated the purchase.

**This finding was resolved in the current year.**

**Ethics**

The District was unable to provide documentation for two board members to demonstrate that required annual ethics training was completed.

**This finding was resolved in the current year.**