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Independent Accountant's Report On
Applying Agreed-Upon Procedures

September 14, 2018

To the Board of Directors
Louisiana Board of Drug and Device Distributors
State of Louisiana
Baton Rouge, Louisiana

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 Legislative Auditor, State of Louisiana, 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, 2018.

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) 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.

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***, 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.

The policies and procedures address receiving, recording and preparing deposit and management's action to determine the completeness of collection of licenses that are renewed; however, there are no written procedures to determine the completeness of collection of initial licenses.

- 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) approval process, and (4) monitoring process.

The policies and procedures that address contracts include all four 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, and (5) monitoring card usage.

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 42:1111-1121, (2) actions to be taken if an ethics violation takes place, and (3) system to monitor possible ethics violations.

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.

There is no Debt.

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 Assets, Deferred Outflows of resources, and net position.

The variance for revenues and expense is less than 10%.

The variance of an increase of assets of 14.8% and an increase of net position of 12% are from the increase of the change of net position during the year of \$438,548.

The variance of a decrease of deferred outflow by 30% was from a decrease net pension liability for the current year ended.

Board (or Finance Committee, if applicable)

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.

By statute, the board is to have two meetings annually, the board actually had three meetings during the fiscal year and at each of these meetings there was a quorum.

- b) Observe that the minutes referenced or included monthly budget-to-actual comparisons.
- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, observe there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, observe that the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The minutes do not indicate that the budget-to-actual is being compared. There is a reference to the review of financial statements and their approval by the board. Management has informed me that the review of the financial statements includes the board's comparison of budgeted to actual expenses.

- c) Access the entity's online information included in the DOA's boards and commissions database (<https://www.cfprd.doa.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 meeting notices and minutes on the DOA's boards and commission's database.

Bank Reconciliations

4. Obtain a listing of bank accounts from management for the fiscal period and management's representation that the listing is complete.

There is only one bank account for this entity.

5. 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 two months of the related statement closing date (e.g. initialed and dated, electronically logged);

A bank reconciliation has been prepared each month within two months of the bank statement closing date.

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

Bank reconciliations included evidence that a member of management who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

- b) 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

Management has not documented whether or not they have researched any outstanding reconciling items that are more than 6 months old. After reviewing the bank reconciliation, there are only 6 transactions older than six months, the same 6 transaction as in the previous year. This is not considered an exception.

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

The reconciled balance for the final month agrees with the general ledger balance.

Collections

6. Obtain and inspect written policies and procedures relating to employee 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.

The entity does not accept cash. The only means of payment are check and credit card.

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

No cash is collected

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

Not applicable

7. Select the highest (dollar) week of cash collections from the general ledger or other accounting records (e.g. cash collection log, daily revenue reports, receipt book, etc.) during the fiscal period. Obtain supporting documentation for each deposit made during the selected week and:

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

System reports and other related collection documents obtained from the credit card companies were available for review.

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

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

- 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 deposit is less than \$100).

The entity does not keep track of when the check are received for initial licenses. However, the renewals are paid by either making a payment using a credit card or an e-payment. These deposits usually take between 2 to 7 days before they are deposited.

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

The actual deposits were traced 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 is only one 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:

- 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 was the appropriate fee based on the applicable fee schedule established by statute.

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

There were penalties collected for late payment and they were collected in accordance with the board's policies.

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

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

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

12. Using the listing prepared by management, randomly select five cards (all cards should be selected if the entity has less than five) that were used during the fiscal period. Obtain the monthly statements, or combined statements with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

There are two credit cards included in the list. A monthly statement was obtained for each of these 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, by someone other than the authorized card holder.

There is evidence that the monthly statements are being reviewed and approved by someone other than the individual that is an authorized cardholder,

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

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

13. Using the monthly statements or combined statements selected under #12 above, obtain supporting documentation for all transactions included on the monthly statements or combined statements for each of the five cards selected (i.e. each of the five cards should have one month of transactions subject to testing).

- a) For each transaction, observe that the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

An original itemized receipt supported each charge.

- Written documentation of the business/public purpose.

Business purpose was documented on each receipt.

- Documentation of the individuals participating in meals (for meal charges only).

Individuals that were participating in a meal were listed.

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

No other documentation was required.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law or Louisiana Procurement Code (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes), as applicable, and report any exceptions.

Each of the transactions observed were in compliance with the written policies for purchases.

None of the purchases came under the Louisiana Public Bid Law

For each transaction, compare the entity'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, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

None of the transactions were for donations, loans, or pledges of public credit as addressed in Article 7, Section 14 of the Louisiana Constitution.

Travel and Travel-Related Expense Reimbursement

14. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

A list of travel and related expense reimbursed by person was obtained from management.

15. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the state's travel rules and regulations (i.e. PPM 49) and report any rates that exceed the rates established by PPM49. Note: Report rates that exceed those established in PPM49 even if the entity has the legal authorization to establish its own rates.

The entity uses the per diem and mileage rates established by the state's travel rules and regulations.

16. Using the listing or general ledger from #14 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Observe that each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, observe that each expense was reimbursed in accordance with the rates provided in PPM 49 rates (#15 above).

Each expense observed was paid in accordance with the rates provided in PPM 49.

- b) Observe that each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Each expense was supported by an itemized receipt that identifies the purchase.

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

The business purpose was documented on the receipt.

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

No other documentation is required.

- c) Compare the entity'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, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The reimbursements were not for were for donations, loans, or pledges of public credit as addressed in Article 7, Section 14 of the Louisiana Constitution.

Observe the travel reimbursement request exceeding \$25.00 was submitted within 30 days following the travel in accordance with PPM 49.

The travel reimbursements that exceeded \$25 were submitted within 30 days following the travel in accordance with PPM 49.

- 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 by someone other than the person receiving the reimbursement.

Contracts

Obtain a listing of all agreements/contracts for professional services, materials, and supplies, leases, and construction activities that were in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

A list of agreements/contracts for professional services, materials, and supplies, leases and construction activities were obtained from management.

17. Using the listing above, randomly select the five contract "vendors" that were paid during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner or the Louisiana Legislative Auditor). Obtain the related contracts and paid invoices and:

- a) Observe that there is a formal/written contract that supports the services arrangement and the amount paid.

There were written contracts to support the service arrangement and the amount paid.

- b) Observe that the contract was bid in accordance with the Louisiana Public Bid Law or Louisiana Procurement Code (e.g. solicited quotes or bids, advertised), if required by law.

The entity is not required to bid on the services arrangements for the contracts they obtained.

- c) Observe that the contract was approved by the board, evidenced by board minutes or other contract documents, if required by policy.

Each of the contracts was approved by the board.

- d) If the contract was amended, observe that the original contract terms provided for such an amendment.

There were no amendments on any of the contracts.

- e) Select the largest payment from each of the five 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.

The largest payment was selected from each of the five of the contracts and each of the invoices agreed with the payment terms of the respective contract.

Payroll and Personnel

18. Obtain a listing of employees with their actual salaries paid during the period, and obtain management's representation that the listing is complete. Randomly select five employees, obtain their personnel files, and

A list of employees was obtained from management.

- a) Agree actual paid salaries to the authorized salaries/pay rates in the personnel file.

Pay rates agree with the personnel file.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and observe that those changes were approved in writing and in accordance with written policy.

There were no changes made to the pay rates during the fiscal period.

19. Obtain attendance and leave records and randomly select one pay period during the fiscal period in which leave has been taken by at least one employee, and:

- a) Observe that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

All employees selected documented their daily attendance and leave.

- b) Observe that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

There is written documentation that shows the supervisors' approval of attendance and leave of each selected employee.

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

Leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

20. Obtain from management a list of those employees that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee cumulative leave records, and agree the pay rates to the employees' authorized pay rates in the employees' personnel files.

There were no terminated employees.

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.

Managements employer and employee portions of payroll taxes, retirement contributions, health insurance premiums and workers' compensation premiums has been paid and the associated forms have been filed by the required deadlines.

Non-Payroll Disbursements – Other General

21. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter all for all other entity disbursements that are not addressed in the sections above (credit card/debit card/travel card/P-card, travel and expense reimbursement, and contracts). Obtain management's representation that the listing or general ledger population is complete.

The general ledger was provided to obtain the list of the entities disbursements.

22. Using the listing or general ledger from #23 above, randomly select five disbursements. Obtain supporting documentation (e.g. purchase requisition, invoices, receipts, receiving slips) for each disbursement. For each of the five disbursements selected:

- a) Observe that each expense is supported by:

- An original itemized receipt or invoice that identifies precisely what was purchased.
Original itemized receipts/invoices identified each of the purchases.
- Documentation of the business/public purpose
The business purpose was documented.
- Other documentation as may be required by written policy
No other documentation was required.

- b) Compare the entity'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, and report any exceptions (e.g. purchases for items for personal use without a business/public purpose). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The reimbursements were not for were for donations, loans, or pledges of public credit as addressed in Article 7, Section 14 of the Louisiana Constitution.

Observe that each expense and related documentation was reviewed and approved, in writing, by someone other than the person who initiated the purchase.

Each of the expenses and related documentation was reviewed and approved by someone other than the person who initiated the purchase.

K - Ethics

23. Using the five selected employees from procedure #19 under "Payroll and Personnel" above, obtain ethics compliance documentation from management, and observe that the documentation demonstrates each employee completed one hour of ethics training during the fiscal period.

There are only two employees and each of the employees demonstrated they have completed the ethics training during the fiscal period.

24. Obtain a listing of board members from management. Randomly select five of the board members and observe whether the entity maintained documentation to demonstrate that required annual ethics training was completed.

Each of the five board members selected had documentation to demonstrate that the required annual ethics training was completed.

L - Budget

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

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

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

The adoption of the budget and the amendment was traced to the minutes.

27. 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 expenditures of the final budget to actual total revenues and total expenditures on the AFR, revenues were 18% lower on the AFR and expenditures were 39% lower on the AFR report.

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.

When comparing the budget adopted by the entity's board to the budget included in the database of DOA, the total mean of financing agreed with both of the statements, but the total expenditures on the Budget filed with the DOA do not agree with the board's approved budgeted expenditures. See Exception 2018-01

M - Debt Service – Not applicable

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and observe that State Bond Commission approval was obtained.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and observe that the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Other

30. 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 has been no misappropriation of public funds or assets.

31. Inquire of management whether the entity contracted for audit or attest services other than these agreed-upon procedures during the current period. Report the type of audit or attest service (i.e. audit, review, agreed-upon procedures, etc.) contracted by management and the purpose or requirement for the additional audit or attest service.

Management has not contracted for audit or attest services other than these agreed-upon procedures during the current year.

Exception 2018-01 – Budget 27

Condition - When comparing the amounts posted to the DOA's database to the final amended budget, the expenditures did not agree.

Recommendation – it is my recommendation that the database for the 2017-2018 budget should be changed to the amended budget that was approved by the board and all future changes made to the budget be inputted into the DOA database after the board's approval.

Response – we agree with the exception and will update the database in the future for any changes made to the budget after the board has approved the changes.

Corrective Action

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

The corrective actions are included above with each exception as a response.

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

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 Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Michael K Glover APAC

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