

---

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

---

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
 <b><u>Financial Statements</u></b>	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 18
 <b><u>Supplementary Information</u></b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 – 20
Schedule of Findings and Questioned Costs	21
Summary Schedule of Prior Year Audit Findings	22
Schedule of Compensation, Benefits, and Other Payments to Director	23

## **INDEPENDENT AUDITORS' REPORT**

Board of Managers  
Louisiana Sheriffs' Law Enforcement Program

### Report on Financial Statements

We have audited the accompanying financial statements of Louisiana Sheriffs' Law Enforcement Program (a quasi-public organization) (the Program) which comprise the statements of net position as of June 30, 2017 and 2016, the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Sheriffs' Law Enforcement Program as of June 30, 2017 and 2016, and the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



#### Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Program has not presented certain historical information related to its insurance activities, including premium and investment revenues, unallocated claim adjustment expenses and other costs, and incurred claims and allocated claim adjustment expenses that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### Other Matters – Supplementary Information

The Schedule of Compensation, Benefits, and Other Payments to Director included on page 23 is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated December 5, 2017, on our consideration of the Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads 'Postlethwaite &amp; Netterville' in a cursive script.

Baton Rouge, Louisiana  
December 5, 2017

# LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis of the Louisiana Sheriffs' Law Enforcement Program's (the Program) financial performance presents a narrative overview and analysis of the Program's financial activities for the years ended June 30, 2017 and 2016. This document focuses on the current period's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Program's financial statements, which follow this section.

### **Financial Highlights**

- The assets of the Program exceeded its liabilities at June 30, 2017 by \$9,419,405 compared to \$8,903,065 as of June 30, 2016, which is a 5.8% increase from the previous year.
- At June 30, 2017, the Program's assets totaled \$17,327,587, which consisted primarily of cash and a diversified portfolio of fixed income and equity investments.
- The Program reported gross earned premiums of \$5,377,833 during the year ended June 30, 2017, and an increase in net position of \$516,340 compared to gross earned premiums of \$5,340,017 during the year ended June 30, 2016, and a decrease in net position of \$1,245,606.
- At the end of the current fiscal year, net position totaled \$9,419,405 or 165% of the current year expenses.

### **Overview of the Financial Statements**

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Program report information about the Program using accounting methods similar to those used by private sector businesses. These statements offer short and long-term financial information about the Program's activities. The Statements of Net Position include all of the Program's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Program's members and creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Program and assessing the liquidity and financial flexibility of the Program. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Program's operations over the year and can be used to determine whether the Program has successfully recovered all its costs through its premium and investment income, profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Program's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**

**Financial Analysis of the Program**

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Program is in a better financial position as a result of the year's activities. These statements report the net position of the Program and changes in them. The net position (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Program's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

**Condensed Statements of Net Position**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Total assets	\$ 17,327,587	\$ 17,109,622
Total liabilities	<u>7,908,182</u>	<u>8,206,557</u>
Net position	<u>\$ 9,419,405</u>	<u>\$ 8,903,065</u>

All of the Program's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Managers of the Program. Total assets increased over prior year approximately 1.3% and consist primarily of cash, investments and receivables. Total liabilities decreased over prior year approximately 4% due to decreases in unpaid claims liabilities and deposits held for others. Net position increased approximately 5.8% from the prior year due to a decrease in claims losses and related expenses.

**Condensed Statements of Revenues, Expenses  
and Changes in Net Position**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>
Total operating revenues	\$ 5,377,833	\$ 5,340,017
Total operating expenses	( 5,716,024)	( 6,621,638)
Non-operating income	<u>854,531</u>	<u>36,015</u>
Change in net position	<u>\$ 516,340</u>	<u>(\$ 1,245,606)</u>

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**

**Financial Analysis of the Program (continued)**

Operating revenues increased approximately \$37,800 due primarily to the fluctuations in the number of members. Total operating expenses decreased approximately \$906,000 due primarily to a decrease in claims losses and related expense costs.

The Program's change in net position for 2017 was an increase of \$516,340, primarily as a result of the aforementioned decrease in claims losses and related expense costs.

**Requests for Information**

This financial report is designed to provide our members, investors, and creditors with a general overview of the Program's finances, as well as demonstrate accountability for funds the Program receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Sheriffs' Law Enforcement Program, 1175 Nicholson Drive, Baton Rouge, LA 70802 or 225-343-8402.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 563,664	\$ 1,688,042
Investments	<u>16,692,747</u>	<u>15,367,433</u>
Total cash and investments	<u>17,256,411</u>	<u>17,055,475</u>
Premiums receivable from members	<u>71,176</u>	<u>54,147</u>
Total assets	<u>\$ 17,327,587</u>	<u>\$ 17,109,622</u>

**LIABILITIES**

Liabilities:		
Unpaid claims liability	\$ 6,933,000	\$ 7,138,000
Deposits held for others	960,219	1,066,402
Accounts payable and accrued expenses	7,038	976
Due to Louisiana Sheriffs' Association	<u>7,925</u>	<u>1,179</u>
Total liabilities	<u>7,908,182</u>	<u>8,206,557</u>
Net position, unrestricted	<u>9,419,405</u>	<u>8,903,065</u>
Total liabilities and net position	<u>\$ 17,327,587</u>	<u>\$ 17,109,622</u>

See accompanying notes to these financial statements.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>OPERATING REVENUES</u></b>		
Premium income	\$ 5,377,833	\$ 5,340,017
<b><u>OPERATING EXPENSES</u></b>		
Claim losses and claims adjustment expenses	3,782,914	4,862,376
Excess insurance premiums	1,675,387	1,504,661
Louisiana Sheriffs' Association administration fees	103,158	103,080
Other general and administrative expenses	154,565	151,521
Total operating expenses	5,716,024	6,621,638
<b><u>OPERATING LOSS</u></b>	(338,191)	(1,281,621)
<b><u>NON-OPERATING INCOME</u></b>		
Investment income - net	854,531	36,015
<b><u>CHANGE IN NET POSITION</u></b>	516,340	(1,245,606)
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	8,903,065	10,148,671
<b><u>NET POSITION - END OF YEAR</u></b>	\$ 9,419,405	\$ 8,903,065

See accompanying notes to these financial statements.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
<u>Cash received from:</u>		
Member premiums collected	\$ 5,360,804	\$ 5,340,359
Member deductibles and other reimbursements collected	255,000	85,000
Excess reinsurance	384,000	-
Deposits held for others	875,932	700,000
<u>Cash paid for:</u>		
Service providers	(244,915)	(256,450)
Excess insurance premiums	(1,675,387)	(1,504,661)
Claims and claims expenses	(4,626,914)	(3,658,376)
Deposits held for others	(982,115)	(591,076)
	<u>(653,595)</u>	<u>114,796</u>
Net cash provided by (used in) operating activities		
	<u>(653,595)</u>	<u>114,796</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Investment income	330,531	386,821
Proceeds from the sale and maturity of investments	4,133,948	-
Purchases of investments	(4,935,262)	(1,128,840)
	<u>(470,783)</u>	<u>(742,019)</u>
Net cash used in investing activities		
	<u>(470,783)</u>	<u>(742,019)</u>
<b><u>NET CHANGE IN CASH</u></b>	<u>(1,124,378)</u>	<u>(627,223)</u>
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u></b>	<u>1,688,042</u>	<u>2,315,265</u>
<b><u>CASH AND CASH EQUIVALENTS, END OF YEAR</u></b>	<u>\$ 563,664</u>	<u>\$ 1,688,042</u>
<b>Reconciliation of change in net position to net cash provided by (used in) operating activities:</b>		
Change in net position:	\$ 516,340	\$ (1,245,606)
Investment income	(332,447)	(386,680)
Net change in fair value of investments	(522,084)	350,665
Operating loss	(338,191)	(1,281,621)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	-	310
Change in receivables	(17,029)	342
Change in unpaid claims liability	(205,000)	1,289,000
Change in deposits held for others	(106,183)	108,924
Change in accounts payable and accrued expenses	12,808	(2,159)
	<u>12,808</u>	<u>(2,159)</u>
Net cash provided by (used in) operating activities	<u>\$ (653,595)</u>	<u>\$ 114,796</u>

See accompanying notes to these financial statements.

# LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

## NOTES TO FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### *(a) Organization*

The Louisiana Sheriffs' Law Enforcement Program (the Program), and its related Articles of Association were created pursuant to the provisions of Louisiana R.S. 13:5571-5575 so that participating Louisiana Sheriffs could self-insure against public liability for their acts and acts of their deputies, employees, agents and officers. The daily operations of the Program are controlled by the Board of Managers, consisting of eight Sheriffs elected by a majority vote of the Sheriffs in each Congressional District. Managers are elected for staggered terms of four years and may be re-elected to any number of successive terms.

The Program's insurance administration is performed by a third party administrator, whose duties consist of development of the self-insurance fund, billing and collecting, securing excess or reinsurance coverage, adjudicating claims and other services as directed by the Board of Managers. The Louisiana Sheriffs' Association (LSA) provides bookkeeping support as well as other general administrative functions for the Program.

The Program is affiliated through common membership and management control with the LSA. Although these entities are related parties, their respective assets and net positions are available only to the individual entity for its operations. Governmental Accounting Standards Program (GASB) Statement 14, as amended by Statement 61, establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, the Program is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 61, fiscally independent means that the Program may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Program also has no component units, defined by the standards as other legally separate organizations for which the Board of Managers are financially accountable. There are no other primary governments with which the Program has a significant relationship. The Program is not considered a component unit of any other entity.

#### *(b) Basis of Accounting*

The financial statements of the Program have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**NOTES TO FINANCIAL STATEMENTS**

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

***(b) Basis of Accounting (continued)***

The Program is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Program is essentially that of an insurance enterprise having a business cycle greater than one year, the statements of net position are not presented in a classified format.

***(c) Investments***

Investments are reported at estimated fair value. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized and unrealized gains and losses on investments recorded at fair value are included in net investment income.

***(d) Operating / Non-operating Revenues and Expenses***

Operating revenues consist of member premiums as these revenues are generated from the Program's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Program's statutory purpose are classified as non-operating.

***(e) Premium Income and Accounts Receivable***

Premiums are recognized as income over the term of the policies as they become earned on a pro-rata basis. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. The costs associated with new and renewal contracts as acquisition costs are immaterial to the financial statements and are expensed when incurred.

Premium and member deductible receivables are comprised of amounts due from members and are considered to be fully collectible by management; therefore, no reserve for bad debts has been established.

***(f) Statement of Cash Flows***

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks and money market funds.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**NOTES TO FINANCIAL STATEMENTS**

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

***(g) Excess Insurance***

The Program uses excess insurance to reduce its exposure to large losses on insured events. The Program does not report risks covered by excess insurance as liabilities unless it is probable that those risks will not be covered by excess insurance carriers.

***(h) Unpaid Claims Liability***

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount, particularly for coverages such as public liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The carrying amount of liabilities for claims losses and claims expenses is presented at the estimated claim amounts after discounting for present value in the financial statements in Note 3.

***(i) Income Taxes***

The Program is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

***(j) Use of Estimates***

Management of the Program has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially from these estimates and assumptions, the financial statements could be affected.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**NOTES TO FINANCIAL STATEMENTS**

**2. RELATED PARTY TRANSACTIONS**

LSA provides services related to the general administrative functions of the Program, as well as rental of office space on a month-to-month basis. The fees for these services are based on a percentage of the Program's collected monthly premiums from members. Total fees were approximately \$104,000 and \$103,000 for the years ended June 30, 2017 and 2016, respectively.

The Program provides insurance coverage for sheriffs making up the Program's Board of Managers.

**3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY**

The following represents changes in the Program's aggregate unpaid claims liabilities for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Liability for unpaid losses at beginning of year	\$ 7,138,000	\$ 5,849,000
Net incurred related to:		
Current year claims	1,933,119	2,136,011
Prior year claims	79,513	788,130
Loss adjustment expenses	1,756,282	1,938,235
Total incurred	<u>3,768,914</u>	<u>4,862,376</u>
Net paid related to:		
Current year claims	61,839	112,792
Prior year claims	2,155,793	1,522,349
Loss adjustment expenses	1,756,282	1,938,235
Total paid	<u>3,973,914</u>	<u>3,573,376</u>
Liability for unpaid losses at end of year	<u>\$ 6,933,000</u>	<u>\$ 7,138,000</u>

The Program experienced overall unfavorable development on unpaid claims liabilities established in prior years during the fiscal years ended June 30, 2017, and June 30, 2016. In establishing reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage litigation. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at June 30, 2017, are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through June 30, 2017, will not vary from the above estimates, and such difference could be significant.

The unpaid liability related to legal defense of cases was estimated to be approximately \$796,000 and \$721,000 as of June 30, 2017 and 2016, respectively, and is included in the total unpaid claims liability. For the defense of a substantial portion of its claims files, the Program has entered into a fixed monthly retainer fee arrangement with its primary legal defense firm. The fixed retainer fees are included in loss adjustment expenses above, but are not included in amounts recoverable under the Program's excess insurance contracts.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**NOTES TO FINANCIAL STATEMENTS**

**3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY** (continued)

The Program provides risk coverage to members on a claims-made basis. The Program's claims payable have been discounted at June 30, 2017 and 2016, based on the Program's anticipated payout patterns and a discount rate assumption of 5.0% and 3.0% as of June 30, 2017 and 2016, respectively, which management expects to approximate the investment earnings over the payout period. The effect of the reserve discounts was approximately \$515,000 and \$357,000 at June 30, 2017 and 2016, respectively.

**4. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The Program is required by GASB 72, *Fair Value Measurement and Application*, to begin categorizing its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 - inputs are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the program's assets at fair value as of June 30, 2017 and 2016:

**June 30, 2017:**

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Negotiable certificates of deposit	\$ 5,138,811	\$ -	\$ 5,138,811
Mutual funds - equities	6,781,473	-	6,781,473
Mutual funds - bonds	2,759,526	-	2,759,526
Investments at fair value	<u>\$ 14,679,810</u>	<u>\$ -</u>	14,679,810
External investment pool, at net asset value			<u>2,012,937</u>
Total Investments			<u>\$ 16,692,747</u>

**June 30, 2016:**

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Negotiable certificates of deposit	\$ 2,941,931	\$ -	\$ 2,941,931
US Government and Agency securities	495,734	-	495,734
Corporate bonds	-	95,959	95,959
Mutual funds - equities	6,453,908	-	6,453,908
Mutual funds - bonds	2,713,722	-	2,713,722
Mortgage backed securities	-	1,412,303	1,412,303
Investments at fair value	<u>\$ 12,605,295</u>	<u>\$ 1,508,262</u>	14,113,557
External investment pool, at net asset value			<u>1,253,876</u>
Total Investments			<u>\$ 15,367,433</u>

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**NOTES TO FINANCIAL STATEMENTS**

**4. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

At June 30, 2017 and 2016, investment securities and cash and cash equivalents consisted of the following:

	Cost	Estimated Fair Value	Percentage of Investments	Standard & Poors/ Moody's Rating	Weighted-
					Average Maturity (Years)
<b>June 30, 2017</b>					
Negotiable certificates of deposit	\$ 5,145,000	\$ 5,138,811	30.78%	Not rated	0.77
Mutual funds - equities	6,556,911	6,781,473	40.63%	Not rated	(1)
Mutual funds - bond	2,824,921	2,759,526	16.53%	Not rated	(1)
LAMP	2,012,937	2,012,937	12.06%	AAAm	
Subtotal - investments	<u>16,539,769</u>	<u>16,692,747</u>	<u>100.00%</u>		
Money market funds	71,139	71,139		Not rated	
Cash demand deposit	492,525	492,525			
Subtotal - amount reported as cash	<u>563,664</u>	<u>563,664</u>			
Total cash and investments	<u>\$ 17,103,433</u>	<u>\$ 17,256,411</u>			
<b>June 30, 2016</b>					
Negotiable certificates of deposit	\$ 2,940,000	\$ 2,941,931	19.14%	Not rated	0.24
US Government and Agency securities	494,611	495,734	3.23%	AA+	0.20
Corporate bonds	100,997	95,959	0.62%	A+	0.01
Mutual funds - equities	6,830,075	6,453,908	42.00%	Not rated	(1)
Mutual funds - bond	2,764,203	2,713,722	17.66%	Not rated	(1)
Mortgage and asset backed securities	1,411,932	1,412,303	9.19%	(3)	2.61 (2)
LAMP	1,253,876	1,253,876	8.16%	AAAm	
Subtotal - investments	<u>15,795,694</u>	<u>15,367,433</u>	<u>100.00%</u>		
Money market funds	543,961	543,961		Not rated	
Cash demand deposit	1,144,081	1,144,081			
Subtotal - amount reported as cash	<u>1,688,042</u>	<u>1,688,042</u>			
Total cash and investments	<u>\$ 17,483,736</u>	<u>\$ 17,055,475</u>			

(1) Weighted-average maturity is not applicable to investments in mutual funds.

(2) Expected maturities will differ from contractual maturities because borrowers have the right to prepay obligations with or without call or prepayment penalties.

(3) Ratings vary from "Not Rated" to AA- and above.

At June 30, 2017 and 2016, the Program had cash equivalents totaling \$71,139 and \$543,961, respectively, which are held in investment brokerage accounts. This balance represents investments in money market funds that, because of their relative liquidity, are reported as cash equivalents on the statements of net position.

## LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

### NOTES TO FINANCIAL STATEMENTS

#### 4. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

At June 30, 2017 and 2016, the Program has investments totaling \$2,012,937 and \$1,253,876, respectively, that are invested in Louisiana Asset Management Pool (LAMP), an external investment pool. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. This investment pool is classified as an external investment pool in the fair value hierarchy table above. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

At June 30, 2017 and 2016, the Program has investments in various mutual funds totaling \$9,540,999 and \$9,167,630, respectively. These mutual funds invest in securities in a variety of industries. Approximately 50% of the Program's mutual funds are invested in fixed income securities, approximately 30% in U.S. equity securities and approximately 20% in non-U.S. equity and other securities.

#### *Custodial Credit Risk*

For cash and cash equivalents (demand deposit accounts and money market funds), custodial credit risk is the risk that in the event of financial institution failure, the Program's deposits may not be returned to them. The Program has no custodial credit risk with respect to demand deposit accounts at June 30, 2017. The Program's investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Program will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2017 and 2016, the Program's investments are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty.

LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**NOTES TO FINANCIAL STATEMENTS**

4. **CASH, CASH EQUIVALENTS AND INVESTMENTS** (continued)

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will be unable to meet its obligations. The Program minimizes this risk by adhering to an investment strategy designed to achieve a conservative risk/return characteristic by investing a significant portion of its investment portfolio in certificates of deposit insured by the Federal Deposit Insurance Corporation.

*Concentration of Credit Risk*

Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Program's investment in a single issuer. At June 30, 2017 and 2016, there were no investments in any one issuer that represented 5% or more of total investments. LAMP's pooled investments are excluded from the 5% disclosure requirement.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the estimated fair value of an investment. The Program measures and monitors the weighted-average maturity of the fixed income securities portfolio to manage exposure to interest rate risk. This includes the weighted-average maturities of the total fixed income securities, individual securities, as well as categories of securities held by the Program.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 51 days at June 30, 2017.

The scheduled contractual maturities of certificates of deposits held at June 30, 2017 are shown below.

	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Due in one year	\$ 3,920,000	\$ 3,915,237
Due after one year through five years	<u>1,225,000</u>	<u>1,223,574</u>
	<u>\$ 5,145,000</u>	<u>\$ 5,138,811</u>

Net investment income for the years ended June 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 199,618	\$ 341,670
Realized gains	132,829	-
Unrealized gains (losses) arising during the year – net	<u>522,084</u>	<u>( 305,655)</u>
	<u>\$ 854,531</u>	<u>\$ 36,015</u>

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**NOTES TO FINANCIAL STATEMENTS**

**5. EXCESS INSURANCE POLICY COVERAGE**

Effective September 1, 2005 through June 30, 2017, the Program has obtained excess insurance coverage from Princeton Excess & Surplus Lines Insurance Company, which is rated as A+ Superior by A.M. Best Company (as of October 19, 2016, the last date rated). For the last five policy years, the Program has specific excess coverage as follows:

<u>Period</u>	<u>Per Occurrence Retention</u>	<u>Per Occurrence Limit</u>	<u>Corridor</u>	<u>Aggregate Ceded Limit</u>
7/1/12-13	\$ 100,000	\$ 1,000,000	\$ 350,000	\$ 10,000,000
7/1/13-14	100,000	1,000,000	350,000	10,000,000
7/1/14-15	100,000	1,000,000	350,000	10,000,000
7/1/15-16	100,000	1,000,000	350,000	10,000,000
7/1/16-17	100,000	1,000,000	450,000	10,000,000

Participating members may elect to purchase specific excess of loss coverage limits of \$900,000, \$1,900,000, or \$2,900,000. The specific excess of loss insurance policy has a \$10,000,000 aggregate limit for all members.

For prior years, the Program also obtained specific excess insurance coverage with differing specific and aggregate loss limits from other excess insurance carriers.

The Program does not have such risk of loss related to specific excess coverage limits which members may elect to purchase for their own benefit. The Program evaluates the financial condition of its excess carriers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the excess carrier to minimize its exposure to significant losses from excess carrier insolvencies.

**6. DEPOSITS HELD FOR OTHERS**

The Program provides bookkeeping and other general administrative services for one parish sheriffs group who operates a self-funded insurance program. The Program does not bear insurance risk for this group and, accordingly, excludes the activity of this group from premiums and claims expense. The group deposits funds with the Program, and the Program disburses the funds according to the group's financial obligations. The Program is paid an administrative fee for these services, which is included as a reduction of other general and administrative expenses in the Statements of Revenues, Expenses and Changes in Net Position. At June 30, 2017 and 2016, deposits held by the Program for this group totaled \$960,219 and \$1,066,402, respectively.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**NOTES TO FINANCIAL STATEMENTS**

**7. CONTINGENCIES**

During the normal course of business, the Program becomes involved in various insurance-related claims and legal actions. Management of the Program establishes estimated liabilities for reported and unreported contingencies. Management believes that the outcome of claims and any related legal proceedings will be provided for by the estimated insurance liabilities and will not have a material adverse effect on the Program's financial position or results of operations.

**8. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the financial statements were available to be issued, December 5, 2017, and determined that no additional disclosures were necessary. No events occurring after this date have been evaluated for inclusion in the financial statements.

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards**

Board of Managers  
Louisiana Sheriffs' Law Enforcement Program  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Louisiana Sheriffs' Law Enforcement Program, which comprise the statement of net position as of and for the year ended June 30, 2017, and the related statement of revenues, expenses, and changes in position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 5, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana Sheriffs' Law Enforcement Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Sheriffs' Law Enforcement Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Sheriffs' Law Enforcement Program's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness [2017-1]. Our responsibility under current audit standards requires us to communicate this issue to the Board of Managers.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Sheriffs' Law Enforcement Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's response to the material weakness identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit management's response and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and do not provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads 'Postlethwaite &amp; Netterville' in a cursive script.

Baton Rouge, Louisiana  
December 5, 2017

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

- (1) The auditors' report expressed an unqualified opinion on the financial statements of the Louisiana Sheriffs' Law Enforcement Program (the Program) as of June 30, 2017 and for the year then ended.
- (2) There is a significant deficiency relating to the audit of the financial statements, which is reported in section B on this schedule. This significant deficiency [2017-1] is considered a material weakness.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2017-1      Design of Internal Control Over Financial Reporting

*Condition:* As part of the audit process, the auditors have assisted management in drafting the financial statements and related notes for year-end financial reporting. Additionally, the auditor has proposed adjusting journal entries to adjust the books and records of the Program, and these adjustments have been reviewed and accepted by management. In the auditors' judgment, the number and magnitude of adjustments proposed, either individually or in the aggregate, indicate matters that do have a significant effect on the Program's financial reporting process. This matter is a material weakness as defined by auditing standards.

*Criteria:* Internal controls over financial reporting should be adequately designed to enable the Program to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

*Effect:* Significant adjusting journal entries were proposed to allow the financial statements to accurately reflect the Program's financial position, operations and cash flows.

*Recommendation:* Small entities with few internal accounting personnel or resources typically have difficulty establishing formal internal control procedures to ensure accurate financial reporting. While cost effectiveness certainly needs to be considered, we recommend that management evaluate the need to strengthen internal controls by hiring additional resources to mitigate its financial reporting risk.

*Management's response:* Management understands and concurs with the finding. Management will work closely with the auditor to further understand the risks and consider the need to dedicate additional resources for the documentation of internal controls and preparation of our financial statements.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**MATERIAL WEAKNESS**

2016-1      Design of Internal Control Over Financial Reporting

*Condition:* As part of the audit process, the auditors have assisted management in drafting the financial statements and related notes for year-end financial reporting. Additionally, the auditor has proposed adjusting journal entries to adjust the books and records of the Program, and these adjustments have been reviewed and accepted by management. In the auditors' judgment, the number and magnitude of adjustments proposed, either individually or in the aggregate, indicate matters that do have a significant effect on the Program's financial reporting process. This matter is a material weakness as defined by auditing standards.

*Recommendation:* Small entities with few internal accounting personnel or resources typically have difficulty establishing formal internal control procedures to ensure accurate financial reporting. While cost effectiveness certainly needs to be considered, we recommend that management evaluate the need to set up controls by hiring additional resources to mitigate its financial reporting risk.

*Current status:* This matter is a repeated finding. See finding 2017-1.

**LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO DIRECTOR**  
**YEAR ENDED JUNE 30, 2017**

**Louisiana Sheriff's Law Enforcement Program**

*Schedule of Compensation, Benefits and Other Payments to Director*

**Year Ended:** June 30, 2017

**Director Name:** Randy Maxwell

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 97,000
Benefits-insurance	3,903
Per diem	500
Travel	6,125

---

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM**

**LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE  
AGREED-UPON PROCEDURES REPORT**

**YEAR ENDED JUNE 30, 2017**

---

## TABLE OF CONTENTS

	<u>Page</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures	1
Schedule A: Agreed-Upon Procedures and Observations and Associated Findings	2 - 13



**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Managers of the  
Louisiana Sheriff's Law Enforcement Program  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A, which were agreed to by Louisiana Sheriff's Law Enforcement Program (the Program) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Program's management is responsible for those C/C areas identified in the SAUPs.

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 in the attached Schedule A either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. 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 scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, 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 LLA as a public document.

A handwritten signature in black ink that reads 'Postlethwaite &amp; Netterville' in a cursive script.

Baton Rouge, Louisiana  
December 15, 2017

LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues.

***Written Policies and Procedures***

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

*The Program does not maintain written policies or procedures. The Program only employs one executive director and outsources its administrative functions and claims administration function to the Louisiana Sheriffs' Association (LSA) administrative personnel and a third party vendor, respectively. The third party vendor has its own policies and procedures regarding processing and disbursements of claims.*

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

*See above.*

- 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; and (5) documentation required to be maintained for all bids and price quotes.

*See above.*

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

*See above.*

- d) **Receipts**, including receiving, recording, and preparing deposits

*See above.*

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

*See above.*

- 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.

*See above.*

LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017

Schedule A

- 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.

*See above.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*See above.*

- 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, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*See above.*

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

*See above.*

***Board (or Finance Committee, if applicable)***

---

2. Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing 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 noted.*

- b) Report whether the minutes referenced are including monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis). If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether 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, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*Not applicable. The Program does not prepare a budget.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*No exceptions noted.*

LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017

Schedule A

***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*A listing of bank accounts was provided and included one bank account. Management represented that the listing is complete.*

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

*From the listing provided, P&N obtained the bank reconciliations for each of the 12 months ended June 30, 2017, resulting in 12 bank reconciliations obtained and subjected to the procedures below.*

- a) Bank reconciliations have been prepared;

*No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*Three of the 12 bank reconciliations did not include documentation of review by a member of management or a board member.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*A total of 11 bank reconciliations included reconciling items outstanding for more than 6 months. There was no documentation of management's research of these reconciling items.*

***Collections***

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*The Program receives all cash/check/money order (cash) collections at one location. Management represented that the Program receives all cash collections at one location.*

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017**

Schedule A

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). **For each cash collection location selected:**

a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*(1) No exception noted*

*(2) The LSA administrative personnel responsible for collecting cash is also responsible for depositing the cash in the bank and recording the transaction.*

*(3) Not applicable*

b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*No exceptions noted.*

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

*Using the collection data, P&N determined the highest collection week during the year ended June 30, 2017, for the collection location and performed the procedures noted below.*

➤ Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

➤ Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*No exceptions noted.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, etc.) by a person who is not responsible for collections.

*The Program does not have written documentation that identifies a process to determine the completeness of collections received.*

LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017

Schedule A

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

---

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*The listing of general ledger activity for all disbursements during the fiscal period was provided. Management has represented that the general ledger is complete.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

*We randomly selected 25 disbursements and performed the procedures below.*

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*A formal requisition/purchase order system is not used. Claims disbursements are initiated by the third party vendor, approved by management and/or the Board and processed by the LSA administrative personnel. Non-claims disbursements are supported by invoices and are initiated and processed by the LSA administrative personnel and are approved by management.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*Purchase orders are not used. Invoices are approved by someone other than the person initiating.*

- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*No exceptions noted.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*The LSA administrative personnel responsible for processing/preparing payments also has access to set up new vendors.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*The three persons with signature authority are not responsible for initiating or recording transactions.*

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017**

Schedule A

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*Unused check stock for non-claims disbursements is kept in a secure/locked location. The LSA administrative personnel with access to unused check stock also has access to a signature stamp for one of the authorized account signers. However, all disbursements require two signatures. The unused check stock for claims disbursements is kept at the third party vendor and access is restricted to a person who does not have signature authority. The checks are electronically printed on the blank stock. There is separation of duties between the person who prints the checks and the person with signature authority at the third party vendor. The signed checks are then mailed to LSA for second signature.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*A signature stamp exists for one signer, but is accessible by the LSA administrative personnel who prepares and processes transactions, and is intended to be used when the signer is unavailable. All disbursements require two signatures. The LSA administrative personnel maintains control of the signed checks until mailed.*

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

---

14. 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.

*Not applicable.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement 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 perform the procedures below.

*Not applicable.*

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*Not applicable.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*Not applicable.*

LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017

Schedule A

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 3 cards selected (i.e. each of the 3 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

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

*Not applicable.*

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

*Not applicable.*

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

*Not applicable.*

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 (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*Not applicable.*

c) 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.

*Not applicable.*

***Travel and Expense Reimbursement***

---

17. 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 listing of general ledger activity for all travel and related expense reimbursements, by person, during the fiscal period was provided. Management represented that the listing of general ledger activity is complete.*

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017**

Schedule A

18. 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 U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*There are no written policies related to travel and expense reimbursement.*

19. Using the listing or general ledger from #17 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) Compare expense documentation to written policies and report whether 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, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*Two reimbursements were selected for testing. Each reimbursement related to airline and hotel expense in New York City for an annual meeting, which also included a one night hotel stay in New Orleans. The hotel rates were compared to the GSA rates for the respective city noting the amount reimbursed for each exceeded the GSA rates. It was noted the rate reimbursed for New York City was \$72 per night higher than the amount allowed on the GSA website, and the rate for New Orleans was \$67 per night higher than the amount allowed on the GSA website.*

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased.

*No exceptions noted.*

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

*No exceptions noted.*

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

*There are no written policies related to travel and expense reimbursement.*

- 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.

*No exceptions noted.*

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017**

Schedule A

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

***Contracts***

---

20. Obtain a listing of all contracts 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 listing of contract payments for all contracts in effect during the fiscal period was provided. Management represented that the listing was complete.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

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

*Of the 5 vendors selected, one does not have a formal/written contract with the Program.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code (bid law) and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*Not applicable.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*None of the 5 contracts selected for testing were subject to bid law. There was no documentation whether the Program solicited quotes as a best practice.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*No amendments in the current year.*

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017**

Schedule A

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions noted.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*No exceptions noted.*

***Payroll and Personnel***

---

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

*The Program only has one employee, the Executive Director, subjected to procedures below.*

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*No exceptions noted.*

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

*Not applicable.*

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*Not applicable. The Program has no policy to document attendance and leave.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*Not applicable.*

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017**

Schedule A

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*Not applicable. The employee does not earn leave.*

24. Obtain from management a list of those employees/officials 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 the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*Not applicable.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*No exceptions noted.*

***Ethics (excluding nonprofits)***

---

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*The employee does not participate in ethics compliance training.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*No ethics violations reported. No exceptions noted.*

***Debt Service***

---

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

*Not applicable.*

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM  
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS  
JUNE 30, 2017**

Schedule A

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

*Not applicable.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*Not applicable.*

***Other***

---

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Not applicable.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*Not applicable.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*Not applicable.*



# Louisiana Sheriffs' Law Enforcement Program

1175 Nicholson Drive • Baton Rouge, LA 70802  
Phone (225) 343-8402 • Fax (225) 336-0343

## Management's Response to Agreed-Upon Procedures Findings

Management of the Louisiana Sheriff's Law Enforcement Program agrees with the findings and will implement corrective action where necessary to address these findings in future periods.

Specifically, management will make sure a member of management and the board documents its review of all of the monthly bank reconciliations. In conjunction with this, management will research reconciling items outstanding for more than 6 months.

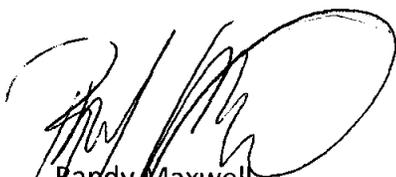
Management will design a procedure and process to document the completeness and accuracy of all collections received by a person separate from the collection process.

Management will design a procedure and process to document the approval of a new vendor set up before any payment is made to such vendor.

Management does not maintain a written policy related to travel and expense reimbursement but does obtain quotes from various hotel vendors in a location before booking a trip for a conference or board event. Some events in high cost locations held during certain times of the year may require a payment beyond what is established by the GSA rates. As well, some of these events and meetings held piggy back the rates pre-negotiated by the Louisiana Sheriffs Association for summer and mid-winter conferences.

Management will make sure a formal written contract is in place to support all the services arrangement.

Management is not certain whether the one employee of this type of entity is required to adhere to the ethics compliance training requirement. In an abundance of caution, the employee will complete the ethics training annually as required by all public employees and public servants.



Randy Maxwell  
Director