

Louisiana Rice Research Board
State of Louisiana

Agreed-Upon Procedures Report
For the year ended June 30, 2017



TWRU

CPAs & Financial Advisors

October 27, 2017

To the Board Members
Louisiana Rice Research Board
Post Office Drawer 505
Crowley, LA 70527-0505

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the Louisiana Rice Research Board, 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 Rice Research Board 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 Rice Research Board compliance with certain laws and regulations during the year ended June 30, 2017.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Written Policies and Procedures

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:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget – **No Finding**.
 - 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. – **No Finding**.
 - c) **Disbursements**, including processing, reviewing, and approving– **No Finding**.
 - d) **Receipts**, including receiving, recording, and preparing deposits– **No Finding**.
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **Not Applicable**.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) approval process, and (4) monitoring process– **No Finding**.
- 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– **Not Applicable**.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (2) documentation requirements, (3) time-frame in which requests must be submitted and (4) required approvers– **No Finding**.
- 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. – **No Finding**.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. – **Not Applicable**.

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. – **No Finding**.

Board (or Finance Committee, if applicable)

- 3. 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.
 - b) Report whether 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, 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.

Finding: The Board met 5 times throughout the year and none of the meetings referenced monthly budget-to-actual comparisons.

Management's Response/Corrective Action: During the budget/funding meeting every fall the Board does review unencumbered balances (reserves) and the actual net income from the previous fiscal year. Assessment income normally varies from budgeted amounts while contractual spending obligations do not. While not specifically mentioned in the minutes, it is a part of the budgeting process. Future minutes will reference the discussion on budgeted vs. actual.

- c) Access the entity's online information included in the DOA's boards and commissions database (<https://wwwcfprd.doa.louisiana.gov/boardsandcommissions/home.cfm>) and report whether the entity submitted board meeting notices and minutes for all meetings during the fiscal period. – **No Finding.**

Bank Reconciliations

4. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
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 report whether:
- a) Bank reconciliations have been prepared;

Finding: Bank reconciliation was only provided for the last month of the fiscal year.

Management's Response/Corrective Action: The Board annually writes 12 checks a year (with most of the funding contained in two checks for one contract) and normally has 16 deposits annually. Due to the low number of transactions, it is not cost effective to pay the contract CPA to reconcile monthly. The CPA does reconcile statements before each Board meeting and at the end of the fiscal year.

- 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;

Finding: Bank reconciliation showed no sign of review by the Board.

Management's Response/Corrective Action: The officers of the Board (3) each receive the monthly bank statements on each account directly from the bank. Also the manager has electronic access and is authorized to only review account activities for each account. In the future a board member will be assigned responsibility of reviewing the bank reconciliations and documenting such review.

- c) The reconciled balance for the final month of the fiscal period agrees to the general ledger; – **No Finding.**
- d) 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. – **Not Applicable.**

Collections

6. Obtain existing documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is 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 a board member or an outside party.

Finding: The contracted CPA is responsible for collecting the cash (checks), depositing cash, and reconciling the bank account.

Management's Response/Corrective Action: The Board does not receive daily collections. The Louisiana Department of Agriculture and Forestry (LDAF) collects the rice assessments. Assessments are collected by the buyer (mills) at the first point of sale. They remit to the LDAF monthly. The LDAF then sends the monthly assessment collections and report to the Board and the CPA firm then makes the deposit. Assessments are received once a month in one check. TRQ funds are transferred to the Board 4 time a year.

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

Finding: The entity does not maintain daily cash collection documentation due to the low number of checks received each month. Therefore the exact number of days between collection and deposit was not able to be confirmed.

Management's Response/Corrective Action: The Board does not receive daily collections. The Louisiana Department of Agriculture and Forestry (LDAF) collects the rice assessments. Assessments are collected by the buyer (mills) at the first point of sale. They remit to the LDAF monthly. The LDAF then sends the monthly assessment collections and report to the Board and the CPA firm then makes the deposit. Assessments are received once a month in one check. TRQ funds are transferred to the Board 4 time a year.

8. 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 (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.

Finding: No written documentation was provided regarding a process specifically designed to determine completeness of all collections.

Management's Response/Corrective Action: The Louisiana Department of Agriculture and Forestry (LDAF) sends the monthly assessment collections report to the Board.

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:
 - Report whether the fee paid for license was the appropriate fee based on the applicable fee schedule established by the board or statute.

- If a penalty was assessed (e.g. late fee), report whether the penalty was assessed and collected in accordance with the board's policies.
-Not Applicable

For levee districts, obtain independent confirmation of the tax amounts received from the appropriate parish Sheriff's offices. Report any differences between the confirmed amount and amount deposited by levee district. -Not Applicable

Credit Cards/Debit Cards/Fuel Cards/P-Cards – Entire Section Not Applicable

10. 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.
11. Using the listing prepared by management, randomly select five cards 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:
 - 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.
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
12. Using the monthly statements or combined statements selected under #12 above, obtain supporting documentation for all transactions 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, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - 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.
 - 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.

Travel and Expense Reimbursement– Entire Section Not Applicable

13. 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.
14. 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.
15. 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) 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 PPM 49 rates (#15 above) and report each reimbursement that exceeded those rates.
 - b) Report whether 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.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
 - 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.
 - d) If the travel and expense reimbursement request was submitted more than 30 days following the date of travel, report the number of days between the travel date and reimbursement request date.
 - e) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

16. 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. – **No Finding.**

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) Report whether there is a formal/written contract that supports the services arrangement and the amount paid. – **No Finding.**
 - 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 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)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 – **Not Applicable.**
 - 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. – **Not Applicable.**
 - 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 Finding.**
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law. – **No Finding.**

Payroll and Personnel– Entire Section Not Applicable

18. Obtain a listing of employees with their related salaries, and obtain management’s representation that the listing is complete. Randomly select five employees, obtain their personnel files, and:
- 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.
 - 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.
19. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee, and:
- a) Report whether all employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.
 - 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.

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 the personnel files for the two employees. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Disbursements – Other General- Entire Section Not Applicable (all disbursements covered under Contracts)

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, contracts, and payroll and personnel). Obtain management's representation that the listing or general ledger population is complete.
22. Using the listing or general ledger from #22 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) Report whether each expense is supported by:
 - An original itemized receipt or invoice that identifies precisely what was purchased.
 - Documentation of the business/public purpose
 - Other documentation as may be required by written policy
 - 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.
 - c) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person who initiated the purchase.

Ethics

23. Using the five selected employees from procedure #19 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required annual ethics training was completed. – **Not Applicable.**
24. Obtain a listing of board members from management. Randomly select five of the board members and report whether the entity maintained documentation to demonstrate that required annual ethics training was completed.

Finding: One of the five board members tested did not complete the required ethics training for the year.

Management's Response/Corrective Action: At each meeting the agenda includes an ethics training and reporting requirements item. Board members also receive email reminders of the Tier 2.1 report deadline and the annual ethics training requirement. The Board will continue to make members aware of the requirements with added emphasis nearing the respective deadlines. Management will also reach out to the individual that did not complete the training.

25. 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 Finding.**

Budget

26. Obtain a copy of the legally adopted budget and all amendments. – **No Finding.**
27. Trace the budget adoption and amendments to the minute book. – **No Finding.**
28. 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.

Finding: Actual revenues were 18% lower than budgeted revenues.

Management's Response/Corrective Action: The Board's revenues from assessments on the Louisiana rice crop are determined by the amount of the crop produced and marketed in the fiscal year. The Louisiana rice acreage was down from the previous year and the yield per acre was also lower than the previous year. Therefore the revenues were lower than the previous year. When the Board establishes its budget, the amount of rice that will be produced and marketed in the fiscal year is estimated based on the USDA data. The actual amount collected by year end can also differ by the amount of rice still in storage and not marketed in the fiscal year that is was grown. These are the determining factors on assessment income to the Board and are totally outside of our control.

29. 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. Report any differences between the budget information contained in the database and the budget adopted by the entity's board. – **Not Applicable.**

Debt Service- Entire Section Not Applicable

30. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
31. 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.

Other

32. 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.

– **No Finding.**

33. 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. – **No Finding.**

34. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception. – **No Finding.**

Corrective Action

35. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures. - **See each finding for the response/corrective action.**

We were not engaged to perform, and did not perform an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements of Louisiana Rice Research Board as of June 30, 2017. 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.

This report is intended solely for the use of management of Louisiana Rice Research Board and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
October 27, 2017