
LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

FINANCIAL STATEMENTS

JUNE 30, 2019

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

FINANCIAL STATEMENTS

JUNE 30, 2019

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
 <u>Financial Statements</u>	
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
 <u>Supplementary Information</u>	
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
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, 2019 and 2018, and 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, 2019 and 2018, 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 17, 2019, 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 cursive script that reads 'Postlethwaite & Netterville'.

Baton Rouge, Louisiana
December 17, 2019

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, 2019 and 2018. 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, 2019, by \$10,687,788 compared to \$9,752,912 as of June 30, 2018, which is a 9.6% increase from the previous year.
- At June 30, 2019, the Program's assets totaled \$17,500,017, which consisted primarily of cash and a diversified portfolio of fixed income and equity investments.
- The Program reported gross earned premiums of \$5,177,357 during the year ended June 30, 2019, and an increase in net position of \$934,876 compared to gross earned premiums of \$5,267,373 during the year ended June 30, 2018, and an increase in net position of \$333,507.
- At the end of the current fiscal year, net position totaled \$10,687,788 or 222% 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, 2019</u>	<u>June 30, 2018</u>
Total assets	\$ 17,500,017	\$ 17,529,819
Total liabilities	<u>6,812,229</u>	<u>7,776,907</u>
Net position	\$ <u>10,687,788</u>	\$ <u>9,752,912</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 decreased over prior year approximately 0.2% and consist primarily of cash, investments and receivables. Total liabilities decreased over prior year approximately 12.4% due primarily to decreases in estimated unpaid claims liabilities. Net position increased approximately 9.6% 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</u> <u>June 30, 2019</u>	<u>Year Ended</u> <u>June 30, 2018</u>
Total operating revenues	\$ 5,177,357	\$ 5,267,373
Total operating expenses	(4,820,213)	(5,584,022)
Non-operating income	<u>577,732</u>	<u>650,156</u>
Change in net position	\$ <u>934,876</u>	\$ <u>333,507</u>

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Financial Analysis of the Program (continued)

Operating revenues decreased approximately \$90,000 due primarily to the fluctuations in the number of covered members. Total operating expenses decreased approximately \$764,000 due primarily to a decrease in claims losses and related expense costs.

The Program's change in net position for 2019 was an increase of \$601,000, 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, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,811,384	\$ 2,718,025
Investments	14,563,706	14,630,514
Total cash and investments	<u>17,375,090</u>	<u>17,348,539</u>
Premiums receivable from members	124,927	100,886
Member deductibles receivable	-	75,000
Due from Louisiana Sheriffs' Association	-	5,394
	<u>124,927</u>	<u>181,280</u>
Total assets	<u>\$ 17,500,017</u>	<u>\$ 17,529,819</u>

LIABILITIES

Liabilities:		
Unpaid claims liability	\$ 5,890,000	\$ 6,960,000
Deposits held for others	916,382	804,807
Accounts payable and accrued expenses	2,404	12,100
Due to Louisiana Sheriffs' Association	3,443	-
Total liabilities	<u>6,812,229</u>	<u>7,776,907</u>
Net position, unrestricted	<u>10,687,788</u>	<u>9,752,912</u>
Total liabilities and net position	<u>\$ 17,500,017</u>	<u>\$ 17,529,819</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>OPERATING REVENUES</u>		
Premium income	\$ 5,177,357	\$ 5,267,373
<u>OPERATING EXPENSES</u>		
Claim losses and claims adjustment expenses	2,999,803	3,612,263
Excess insurance premiums	1,601,219	1,687,336
Louisiana Sheriffs' Association administration fees	107,610	102,806
Other general and administrative expenses	111,581	181,617
Total operating expenses	4,820,213	5,584,022
<u>OPERATING INCOME (LOSS)</u>	357,144	(316,649)
<u>NON-OPERATING INCOME</u>		
Investment income - net	577,732	650,156
<u>CHANGE IN NET POSITION</u>	934,876	333,507
<u>NET POSITION - BEGINNING OF YEAR</u>	9,752,912	9,419,405
<u>NET POSITION - END OF YEAR</u>	<u>\$ 10,687,788</u>	<u>\$ 9,752,912</u>

See accompanying notes to these financial statements.

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
<u>Cash received from:</u>		
Member premiums collected	\$ 5,153,316	\$ 5,237,663
Member deductibles and other reimbursements collected	327,675	373,025
Excess reinsurance	3,396,724	885,000
Deposits held for others	985,948	742,000
<u>Cash paid for:</u>		
Service providers	(220,050)	(292,680)
Excess insurance premiums	(1,601,219)	(1,687,336)
Claims and claims expenses	(7,719,202)	(4,918,288)
Deposits held for others	(874,373)	(897,412)
	<u>(551,181)</u>	<u>(558,028)</u>
Net cash used in operating activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income	621,377	481,922
Proceeds from the sale and maturity of investments	3,826,588	5,617,402
Purchases of investments	(3,803,425)	(3,386,935)
	<u>644,540</u>	<u>2,712,389</u>
Net cash provided by investing activities		
<u>NET CHANGE IN CASH</u>	93,359	2,154,361
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	<u>2,718,025</u>	<u>563,664</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 2,811,384</u>	<u>\$ 2,718,025</u>
Reconciliation of change in net position to net cash used in operating activities:		
Change in net position:	\$ 934,876	\$ 333,507
Investment income	(621,377)	(481,922)
Net change in fair value of investments	43,645	(168,234)
Operating income (loss)	<u>357,144</u>	<u>(316,649)</u>
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Change in receivables	50,959	(104,710)
Change in unpaid claims liability	(1,070,000)	27,000
Change in deposits held for others	111,575	(155,412)
Change in accounts payable and accrued expenses	<u>(859)</u>	<u>(8,257)</u>
Net cash used in operating activities	<u>\$ (551,181)</u>	<u>\$ (558,028)</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 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 \$108,000 and \$103,000 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Liability for unpaid losses at beginning of year	\$ 6,960,000	\$ 6,933,000
Net incurred related to:		
Current year claims	1,850,111	1,849,537
Prior year claims	(938,108)	(268,407)
Loss adjustment expenses	<u>2,087,800</u>	<u>2,031,133</u>
Total incurred	<u>2,999,803</u>	<u>3,612,263</u>
Net paid related to:		
Current year claims	129,532	55,166
Prior year claims	1,852,471	1,498,964
Loss adjustment expenses	<u>2,087,800</u>	<u>2,031,133</u>
Total paid	<u>4,069,803</u>	<u>3,585,263</u>
Liability for unpaid losses at end of year	<u>\$ 5,890,000</u>	<u>\$ 6,960,000</u>

The Program experienced overall favorable development on unpaid claims liabilities established in prior years during the fiscal year ended June 30, 2019 and 2018. 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, 2019, are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through June 30, 2019, 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 \$463,000 and \$506,000 as of June 30, 2019 and 2018, 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, 2019 and 2018, based on the Program's anticipated payout patterns and a discount rate assumption of 5.0% as of June 30, 2019 and 2018, which management expects to approximate the investment earnings over the payout period. The effect of the reserve discounts was approximately \$628,000 and \$765,000 at June 30, 2019 and 2018, respectively.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Program is required by GASB 72, *Fair Value Measurement and Application*, to categorize 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, 2019 and 2018:

June 30, 2019:

	Level 1	Level 2	Total
Mutual funds - equities	\$ 6,257,117	\$ -	\$ 6,257,117
Mutual funds - bonds	4,156,359	-	4,156,359
Investments at fair value	<u>\$ 10,413,476</u>	<u>\$ -</u>	10,413,476
External investment pool, at net asset value			4,150,230
Total Investments			<u>\$ 14,563,706</u>

June 30, 2018:

	Level 1	Level 2	Total
Negotiable certificates of deposit	\$ 1,711,648	\$ -	\$ 1,711,648
Mutual funds - equities	7,206,571	-	7,206,571
Mutual funds - bonds	2,887,773	-	2,887,773
Investments at fair value	<u>\$ 11,805,992</u>	<u>\$ -</u>	11,805,992
External investment pool, at net asset value			2,824,522
Total Investments			<u>\$ 14,630,514</u>

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

NOTES TO FINANCIAL STATEMENTS

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

At June 30, 2019 and 2018, investment securities and cash and cash equivalents consisted of the following:

June 30, 2019	Cost	Estimated Fair Value	Percentage of Investments	Standard & Poors/ Moody's Rating	Weighted- Average Maturity (Years)
Mutual funds - equities	\$ 5,780,948	\$ 6,257,117	42.96%	Not rated	(1)
Mutual funds - bond	4,229,576	4,156,359	28.54%	Not rated	(1)
LAMP	4,150,230	4,150,230	28.50%	AAAm	
Subtotal - investments	<u>14,160,754</u>	<u>14,563,706</u>	<u>100.00%</u>		
Money market funds	656,008	656,008		Not rated	
Cash demand deposit	2,155,376	2,155,376			
Subtotal - amount reported as cash	<u>2,811,384</u>	<u>2,811,384</u>			
Total cash and investments	<u>\$ 16,972,138</u>	<u>\$ 17,375,090</u>			

June 30, 2018	Cost	Estimated Fair Value	Percentage of Investments	Standard & Poors/ Moody's Rating	Weighted- Average Maturity (Years)
Negotiable certificates of deposit	\$ 1,715,000	\$ 1,711,648	11.70%	Not rated	0.32
Mutual funds - equities	6,786,646	7,206,571	49.26%	Not rated	(1)
Mutual funds - bond	2,984,206	2,887,773	19.74%	Not rated	(1)
LAMP	2,824,522	2,824,522	19.31%	AAAm	
Subtotal - investments	<u>14,310,374</u>	<u>14,630,514</u>	<u>100.00%</u>		
Money market funds	780,996	780,996		Not rated	
Cash demand deposit	1,937,029	1,937,029			
Subtotal - amount reported as cash	<u>2,718,025</u>	<u>2,718,025</u>			
Total cash and investments	<u>\$ 17,028,399</u>	<u>\$ 17,348,539</u>			

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

At June 30, 2019 and 2018, the Program had cash equivalents totaling \$656,008 and \$780,996, 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, 2019 and 2018, the Program has investments totaling \$4,150,230 and \$2,824,522, 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, 2019 and 2018, the Program has investments in various mutual funds totaling \$10,413,476 and \$10,094,344, respectively. These mutual funds invest in securities in a variety of industries. Approximately 45% of the Program's mutual funds are invested in fixed income securities, approximately 31% in U.S. equity securities and approximately 14% in non-U.S. equity and other securities at June 30, 2019.

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, 2019. 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, 2019 and 2018, 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. LAMP's pooled investments are excluded from the 5% disclosure requirement.

At June 30, 2019 and 2018, there were no investments in any one issuer that represented 5% or more of total investments.

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 46 days at June 30, 2019.

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

NOTES TO FINANCIAL STATEMENTS

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Interest Rate Risk (continued)

Net investment income for the years ended June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 349,191	\$ 235,318
Realized gains	272,186	246,604
Unrealized gains (losses) arising during the year – net	<u>(43,645)</u>	<u>168,234</u>
	<u>\$ 577,732</u>	<u>\$ 650,156</u>

5. EXCESS INSURANCE POLICY COVERAGE

Effective September 1, 2005 through June 30, 2019, 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 July 11, 2019, 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>
7/1/14-15	\$ 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
7/1/17-18	100,000	1,000,000	450,000	10,000,000
7/1/18-19	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.

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

NOTES TO FINANCIAL STATEMENTS

5. EXCESS INSURANCE POLICY COVERAGE (continued)

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 sheriff's 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, 2019 and 2018, deposits held by the Program for this group totaled \$916,382 and \$804,807, respectively.

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 17, 2019, 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, 2019, 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 17, 2019.

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 [2019-1]. 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 & Netterville' in a cursive script.

Baton Rouge, Louisiana
December 17, 2019

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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, 2019, 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 is considered a material weakness [2019-1].

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2019-1 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
YEAR ENDED JUNE 30, 2019

MATERIAL WEAKNESS

2018-1 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 2019-1.

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO DIRECTOR
YEAR ENDED JUNE 30, 2019

Louisiana Sheriff's Law Enforcement Program

Schedule of Compensation, Benefits and Other Payments to Director

Year Ended: June 30, 2019

Director Name: Randy Maxwell

Purpose		Amount
Salary	\$	97,000
Benefits-insurance		3,868
Per diem		1,400
Travel		6,626

LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM

REPORT ON STATEWIDE
AGREED-UPON PROCEDURES
ON COMPLIANCE AND CONTROL AREAS

YEAR ENDED JUNE 30, 2019

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 - 12
Schedule B: Management's Response and Corrective Action Plan	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, 2018 through June 30, 2019. 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 dark ink, appearing to read 'Postlethwaite & Netterville', is written in a cursive style.

Baton Rouge, Louisiana
December 18, 2019

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

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. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity."

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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.

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

- 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.

- 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.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

See above

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*A listing of deposit sites was provided and included 1 deposit site.
From the listing provided, we performed the procedures below.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 1 collection location.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Not applicable

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

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

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

See above.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exception noted

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

The Program stated that all employees who have access to cash are bonded and/or covered under the insurance policy.

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

7. Randomly select two deposit dates for each of the bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 4 deposits and:

We randomly selected two deposit dates for the bank account. We obtained supporting documentation for each of the 2 deposits and performed the procedures below.

- a) Observe that receipts are sequentially pre-numbered.

The Entity does not maintain sequentially pre-numbered receipts.

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

The Entity does not maintain sequentially pre-numbered receipts, system reports, or other related collection documentation. As such, we were unable to perform the procedure.

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

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

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

No exceptions noted.

Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The listing of locations that process payments for the fiscal period was provided.

From the listing provided, we randomly selected all locations (1) and performed the procedures below.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided.

Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

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

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

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

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The LSA administrative personnel responsible for processing payments is also responsible for mailing the checks.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

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

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

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

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

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

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

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

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

An active vendor list for the fiscal period was provided. Of the 5 vendors selected, one does not have a formal/written contract with the Program.

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

From the listing provided, we randomly selected 5 contracts and performed the procedures below.

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

Not required

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Not required

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

No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We randomly selected 1 payment for the 5 contracts selected in procedure #15 and performed the specified procedures. No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

- a) Observe that 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.).

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

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

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

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

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

The employee does not participate in ethics compliance training.

**LOUISIANA SHERIFF'S LAW ENFORCEMENT PROGRAM
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
JUNE 30, 2019**

Schedule A

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

For the employee selected, signature verification evidencing that the employee/official had read the Program's ethics policy during the fiscal period could not be obtained.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Not applicable

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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 Finding

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

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 implement a procedure to document the receipt date for all collections received.

Management will implement the procedure for processing new vendor and any payments made to such vendor.

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

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