

AUP Procedures - Quality Jobs Program

Instructions

Purpose:

Louisiana Revised Statutes 51:2451-2462, concerns the Louisiana Quality Jobs Program (“Program”). La. R.S. 51:2453 (2) (b) (iv) requires that certain program applicants, ” ... (have) or will have within one year, **sales of at least fifty percent of its total sales to out-of-state customers or buyers**, to in-state customers or buyers if the products or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government. An independent Louisiana-certified public accountant shall annually verify that **the contract site** meets the out-of-state sales requirement.”

The applicant shall submit all appropriate paperwork to LED, including an analysis report prepared by an independent Louisiana Certified Public Accountant (“CPA”). The CPA’s analysis is to comply with these “agreed upon procedures” (“AUP”) established by Business Incentive Services in the Department of Economic Development (“Department”), and its Secretary. The analysis must also be conducted in accordance with Statements on Standards for Attestation Engagements (“SSAE”) established by the American Institute of Certified Public Accountants (“AICPA”). When the CPA completes their analysis, they are to prepare a report in the form of procedures and findings which must be submitted with the Annual Certification Report (“ACR”) to the Department for consideration of rebate issuance.

The required agreed upon procedures relate to engagement acceptance, reporting of the results of the analysis, and the underlying detail analysis of program participant expenditures. The following are minimum procedures that must be completed by the CPA as part of the required analysis; however, the CPA shall perform whatever additional procedures are deemed necessary to ensure fair reporting of Program participant transactions and activities within the intent of the statutes.

The Report must provide sufficient detail to allow an uninformed reader to understand the nature and amount of sales presented and the appropriate percentage of out of state sales determined to be attributable to the Project Site during the reporting period.

Documentation of Accounting Policies and Procedures

- 1) CPA will request that management of the Company provide narratives of the accounting policies and procedures used to identify, segment and report qualifying out-of-state or federal government sales, as those terms are defined within the statute and rules. This will be included in the notes to the Cost Report.

Direct Out-of-State Sales or Federal Government

CPA will evaluate Out-of-State or Federal Government sales to verify compliance with provisions of the contract with the Company by performing the following procedures:

- 2) CPA will obtain the listing of total sales of product or service by customer (sales journal or separate general ledger accounts), reporting in-state sales and out-of-state sales or federal government sales by customer within a one-year-period (the Period).
- 3) CPA will select a sample of out-of-state or federal government sales from the listing to include the lesser of 50% of the total of out-of-state or federal government sales or 50 items.
- 4) CPA will agree the total sales for the Period to the total sales reported on the financial statements of the Company for the Period.
- 5) CPA will request supporting documentation for the test items selected in Step 3 including invoices, shipping records, etc.
- 6) CPA will agree the sales invoices selected in Step 3 to the Accounts Receivable sub-ledger.
- 7) CPA will verify that the Out-of-State sales were delivered to locations not in Louisiana or federal government. CPA will examine each invoice that includes the address of the customer and delivery documents that include the delivery address for evidence of out-of-state sales or federal government.
- 8) CPA will obtain the bank statements from the Company for the Period. For each invoice selected in Step 3, CPA will verify that the amount of sale was actually collected by the Company as evidenced by deposits in the bank account statements maintained by the Company.
- 9) CPA will interview Company management to confirm whether there are any out-of-state or federal government sales included on the listing that have been determined to be bad debts and written off or credit memos issued.
- 10) CPA will interview Company management to confirm that all out-of-state or federal government sales are qualifying out-of-state or federal government sales as defined in the Program statutes and rules.

Indirect Out-of-State Sales

CPA will evaluate Indirect Out-of-State Sales to verify compliance with provisions of the contract with the Company by performing the following procedures:

- 11) CPA will obtain the listing of in-state sales of products or services (the Sales Listing) to customers or buyers (the Resellers) for sales resold by the Resellers to an out-of-state customer or buyer for ultimate use by customers (sales journal or separate general ledger accounts) for the Period.
- 12) CPA will select a sample from the Sales Listing to include the lesser of 50% of the total of out-of-state sales or 50 items. (If sales of the Company include both direct and indirect sales, then the sample test items will be the lesser of 50% of both direct and indirect sales or 50 items.)
- 13) CPA will verify the general ledger coding for the sample test items selected in Step 12.
- 14) CPA will agree the total sales for the Period to the total sales reported on the financial statements of the Company for the Period.
- 15) CPA will agree the sales invoice selected in Step 12 to the Accounts Receivable sub-ledger.
- 16) CPA will request the Resellers' supporting documentation for the test items selected in Step 12 including invoices, shipping record, etc.
- 17) CPA will verify that the sales reported by the Company to Resellers who sold the products to out-of-state customers were delivered to locations not in Louisiana. CPA will examine each invoice that include the address of the Resellers' customer and delivery documents that include the delivery address for evidence of out-of-state sales.
- 18) CPA will obtain the bank statements from the Company for the Period. For each invoice selected in Step 12, CPA will verify that the sales invoices were actually collected by the Company as evidenced by deposits in the bank account statements maintained by the Company.
- 19) CPA will interview Company management to confirm whether there are any Resellers' sales included on the listing that have been determined to be bad debts and written off or credit memos issued.
- 20) CPA will interview Company management to confirm that all Resellers' out-of-state sales are qualifying out-of-state sales as defined in the Program statutes and rules.

Related Parties

- 21) CPA will comment on whether any related party transactions were identified and included in the totals of out-of-state sales. CPA will inquire of management as to whether any related parties are included, research corporate records to search for any relationships, and have management confirm in the management representation letter.

- 22) CPA will perform detail analysis procedures related to reported qualifying Louisiana expenditures to ensure that all material "related party transactions" have been identified, have been subjected to appropriate additional analysis as required by the AICPA (AU-C 550) to ensure that their reported values are equivalent to "arm's length" transactions, and have a business purpose and economic substance. CPA will ensure that appropriate footnote disclosures related to these transactions have been made and include the following:
 - a. The nature of the relationship(s) involved.
 - b. A description of the transactions, including transactions to which only nominal amounts were ascribed, for each of the periods for which income statement are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements.
 - c. The dollar amounts of transactions for each of the periods for which income statement are presented and the effects of any change in the method of establishing the terms from that used in the preceding period.
 - d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.
 - e. If there are no related party transactions, the report must include a note to that effect.

EXHIBIT I

**Independent Auditor's Report on Applying Agreed Upon Procedures
(Independent Certified Public Accountant's Letterhead)**

**Company Name,
Quality Jobs Contract#
Address, City, State, and Zip**

We have performed the procedures outlined on the pages that follow, for the sales records of **COMPANY NAME** for the period [**Dates X to Y**], attributable to activities at the **PROJECT SITE** for **QJ Contract#**. The procedures were agreed to by the Louisiana Department of Economic Development ("LED"), related to **COMPANY NAME**'s compliance with the requirements of La. R.S. 51:2453 (2) (b) (iv). The **COMPANY NAME**'s management is responsible for its compliance with those requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 compliance with specified requirements. 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 information and use of LED, and is not intended to be, and should not be, used by anyone other than this specified party.

Firm's signature
City, State

Report Date