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**LOUISIANA USED MOTOR VEHICLE
AND PARTS COMMISSION**

**DEPARTMENT OF
ECONOMIC DEVELOPMENT
STATE OF LOUISIANA
FINANCIAL STATEMENTS**

June 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 7 6 1998



LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

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**INDEPENDENT AUDITOR'S REPORT ON THE GENERAL PURPOSE
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

Louisiana Used Motor Vehicle and Parts Commission
Department of Economic Development, State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying general purpose financial statements of the Louisiana Used Motor Vehicle and Parts Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Louisiana Used Motor Vehicle and Parts Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governors Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Used Motor Vehicle and Parts Commission as of June 30, 1998, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Louisiana Used Motor Vehicle and Parts Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated August 10, 1998 on our consideration of the Louisiana Used Motor Vehicle and Parts Commission's internal control over financial reporting, and our tests of its compliance with certain provisions of laws and regulations.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that period in which we expressed an unqualified opinion on the general purpose, individual fund and account group financial statements of the Louisiana Used Motor Vehicle and Parts Commission.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

August 10, 1998

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Balance Sheet

June 30, 1988

All Fund Types and Account Groups

With Comparative Totals for 1987

	Governmental Fund - General Fund	Account Groups		Total (Memorandum Only) 1988	Total (Memorandum Only) 1987
		General Assets	General Liabilities and Obligations		
ASSETS AND OTHER DEBITS					
Cash and cash equivalents	\$ 1,115,967	-	-	\$ 1,115,967	\$ 1,071,171
Accounts receivable - bearing credit and fines	48,428	-	-	48,428	13,928
Prepaid assets	-	479,673	-	479,673	460,681
Other debits - amount to be provided for retirement of general long term obligations	-	-	51,833	51,833	46,478
Total Assets and Other Debits	\$ 1,258,196	\$ 479,673	\$ 51,833	\$ 1,601,492	\$ 1,591,279

LIABILITIES, EQUITY AND OTHER CREDITS

Liabilities

Accounts payable	\$ 3,082	-	\$ -	\$ 3,082	\$ 5,827
Salaries payable	13,347	-	-	13,347	15,188
Payroll taxes and benefits payable	6,287	-	-	6,287	5,428
Accrued unexpended allowances	-	-	61,823	61,823	45,478
Total liabilities	\$ 13,176	-	\$ 61,823	\$ 61,823	\$ 76,943

Equity and Other Credits

Investment in general fund assets	-	479,673	-	479,673	460,681
Fund balance - appropriated - undesignated	1,258,020	-	-	1,258,020	969,595
Total equity and other credits	1,258,020	479,673	-	1,618,693	1,430,284
Total Liabilities, Equity And Other Credits	\$ 1,258,196	\$ 479,673	\$ 51,833	\$ 1,601,492	\$ 1,591,279

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION*Governmental Fund - General Fund**Years Ended June 30, 1998 and 1997**Statement of Revenues, Expenditures, and Changes in Fund Balance*

	1998	1997
Revenues		
Licenses	\$ 886,573	\$ 862,908
Use of money - interest earnings	81,938	47,842
Refundation actions	47,813	44,811
Other	8,884	10,456
Total Revenues	1,065,208	966,017
Expenditures		
Public safety - other protection - regulation of licensed occupations		
Personal services and related benefits	598,898	549,801
Operating services and supplies	115,365	137,484
Travel and other charges	17,886	12,939
Professional services	28,890	28,669
Capital outlay	75,489	48,089
Bad debt expense	349	5,825
Other	13,179	5,180
Total Expenditures	871,366	798,087
Excess of Revenues Over Expenditures	188,425	178,042
Fund Balance		
Beginning of year	869,485	790,003
End of year	\$ 1,057,910	\$ 968,045

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Governmental Fund - General Fund
Statement of Revenue and Expenditures - Budget (Cash Basis) and Actual
Years Ended June 30, 1999 and 1997

	1999			1997			Variance Favorable (Unfavorable)
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)	
			\$			\$	
Revenues							
Licenses	\$ 306,976	\$ 386,572	\$ 80,597	\$ 174,995	\$ 862,990	\$ 687,995	
Endorsement actions	10,000	17,912	7,912	10,000	17,912	7,912	
Non-sufficien funds fee	750	715	(35)	750	750	-	
Interest on certificate of deposit	20,000	62,902	42,902	20,000	41,145	21,145	
Interest on operating account	6,000	8,418	2,418	6,000	6,009	(1)	
Copies and dealers fees	1,200	628	(572)	1,200	681	(519)	
Other (miscellaneous)	5,200	7,201	2,001	5,200	9,005	3,805	
Total Revenues	359,225	574,208	215,083	206,645	968,700	762,055	
Expenditures							
Salaries							
Regular	518,000	471,252	(46,748)	603,444	445,877	157,567	
Other compensation	17,500	18,624	1,124	14,500	11,532	2,968	
Retired benefits	100,240	97,235	(3,005)	99,350	81,098	18,252	
Operating							
Travel	13,000	17,206	4,206	14,000	12,909	1,091	
Operating services	129,700	100,946	(28,754)	120,000	118,966	1,034	
Supplies	16,500	16,666	(166)	15,500	17,064	(1,564)	
Bad debt expense	-	149	(149)	-	5,825	(5,825)	

Continued on next page

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Governmental Fund - General Fund

Years Ended June 30, 1998 and 1997

Statement of Revenues and Expenditures - Budget (Cash Basis) and Actual, Combined

	1998		1997		Variance Favorable (Unfavorable)	Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual		
Professional services						
Accounting	8,500	8,878	2,000	3,887		(1,907)
Legal	15,000	19,067	5,000	20,000		4,120
Other	-	-	-	-		3,000
Other Charges	8,500	13,375	(4,070)	5,100		3,400
Acquisitions and major repairs						
Acquisition	15,000	76,389	(58,189)	46,379		(2,698)
Major repairs	4,000	306	3,700	1,783		3,220
Total Expenditures	870,240	895,455	66,861	770,623		26,079
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,203)	100,006	\$ (98,014)	\$ 1,985		\$ 146,084
Cash and Cash Equivalents Beginning of year		977,131		700,051		
End of year		\$ 1,115,967		\$ 977,131		

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Notes to Financial Statements

June 30, 1999

INTRODUCTION

The Louisiana Used Motor Vehicle and Parts Commission is a component unit of the State of Louisiana created with the Louisiana Department of Economic Development as provided by Louisiana Revised Statute (LSA-R.S.) 36:109. The Commission is responsible for licensing used motor vehicle dealers, salarions, automotive dismantlers, auto wreckers, parts recyclers, and marine dealers, as well as hearing complaints on used vehicles and parts. Operations of the Commission are funded with license fees. The Commission is governed by a Board of Commissioners consisting of 11 members appointed by the Governor.

1. Summary of Significant Accounting Policies

Basic of Presentation. In April, 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a *Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification)*. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government. The accompanying financial statements have been prepared in accordance with such principles.

Reporting Entity. GASB Codification § 2100 has defined the governmental reporting entity to be the State of Louisiana. The Louisiana Used Motor Vehicle and Parts Commission is considered a component unit of the State of Louisiana because the State exercises oversight responsibility as follows: (1) Commission members are appointed by the Governor and must be confirmed by the Senate; (2) Commission action for fee increases are governed by the Administrative Procedure Law; and (3) service is provided within the boundaries of the State. The accompanying statements present information only as to the transactions of the Louisiana Used Motor Vehicle and Parts Commission, a component unit of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

Fund Accounting. The Commission uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Notes to Financial Statements, Continued

June 30, 1997

Funds of the Commission are classified into two categories: governmental (General Fund) and fiduciary (Agency Fund). These funds are described as follows:

General Fund. The General Fund is the principal fund of the Commission and accounts for its operations. The Commission's primary source of revenue is from license fees and interest earnings. General operating expenditures are paid from this fund.

Surety Bond Claims Fund (Agency Fund). Pursuant to LSA-R.S. 32:4(A) and (B) and 32:774(C) and (H), licensed used motor vehicle dealers post a \$10,000 surety bond payable through the commission to indemnify persons who suffer a loss as a result of any violation of the provisions of law and for the proper disposition of all taxes and registration fees. The Surety Bond Claims Fund accounts for the proceeds received from bonding companies and subsequently paid to applicable claimants.

The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The activity of the surety bond Claims Fund for the years ended June 30, 1996 and 1997 is shown on Schedule 1.

Basis of Accounting. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The commission's accounts are recorded on a cash basis of accounting; however, the General Fund, as reported in the accompanying financial statements, has been converted to a modified accrual basis of accounting using the following practices:

Revenues. License fees are recorded when they are considered measurable and available for use. Interest earnings are recorded when the income is earned. Other revenues are recognized when they become measurable and available as current assets.

Expenditures. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which is recorded as an expenditure when expected to be paid from current available resources.

The Agency Fund is reported on the modified accrual basis of accounting.

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Notes to Financial Statements, Continued

June 30, 1997

Fixed Assets and General Long-Term Obligations. Fixed assets are accounted for in the general fixed assets account group, rather than in the General Fund. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Long term obligations are accounted for in the general long term obligations account group, not in the General Fund.

The two account groups are not funds. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

Budget Practices. In accordance with LSA-R.S. 39:1332-1342, the Louisiana Used Motor Vehicle and Parts Commission is required to submit a copy of its proposed budget for the upcoming fiscal year by the first day of the preceding January to the Joint Legislative Committee on the Budget, to each chairman of a standing committee of the Legislature having jurisdiction, to the Legislative Auditor, and the Legislative Fiscal Office.

The annual budget for the years ended June 30, 1996 and 1997, were formally adopted by the Commission on November 18, 1995 and December 17, 1996, respectively. The budgets were prepared on a cash basis of accounting for estimated revenues, expenditures, and the excess of expenditures over revenues. The budgets were not integrated into the accounting records, but were employed by the Commission as a management control device.

The revenues shown on Statement B are reconciled to the amounts shown on Statement C as follows:

	1996	1997
Statement B revenues	\$ 1,000,000	\$ 990,000
Add prior year receivables	23,028	7,679
Less current year receivables	<u>(64,129)</u>	<u>(12,679)</u>
Statement C revenues	\$ 958,899	\$ 984,999

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION*Notes to Financial Statements, Continued*

June 30, 2008

The expenditures shown on Statement B are reconciled to the amounts shown on Statement C as follows:

	2008	2007
Statement B expenditures	\$ 897,044	\$ 786,307
Add increase (decrease) in prepaid expenses	-	(6,899)
Add prior year		
Accounts payable	5,837	3,254
Salaries payable	19,388	8,252
Payroll taxes and benefits payable	5,438	970
Less current year		
Accounts payable	3,683	5,837
Salaries payable	15,247	19,189
Payroll taxes and benefits payable	6,807	5,438
Statement C expenditures	\$ 835,459	\$ 770,620

Cash And Cash Equivalents. Cash includes cash on hand and demand deposits. Cash equivalents include amounts in certificates of deposits. Under State law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Commission may invest in certificates of deposits of State banks organized under Louisiana law and national banks having their principal office in Louisiana.

Compensated Absences. Commission employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The cost of current leave privileges, computed in accordance with the *Classification of Governmental Accounting and Financial Reporting Standards* § C80.106, is recognized as a current year expenditure in the General Fund when leave is actually taken. The cost of leave privileges not requiring current resources is accrued in the general long term obligations account group.

Risk Management. The Commission is exposed to various risks of loss related to (a) theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission purchases insurance coverage through the State Office of Risk Management, which is responsible for negotiating, compensating and settling all claims including all tort claims against the Commission.

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Notes to Financial Statements, Continued

June 30, 1999

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the Commission's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Total Column on Balance Sheet. The total column on the balance sheet is captioned "Memorandum Only" (overline) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

3. Cash and Cash Equivalents

Under State law, these deposits (in the resulting bank balances) must be secured by Federal Deposit Insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the Federal Deposit Insurance must at all times equal the amount on deposit with the fiscal agent. The Commission's deposits are categorized to give an indication of the level of risk assumed by the Commission. The categories are described as follows:

- Category 1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the entity's name.

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Notes to Financial Statements, Continued

June 30, 1998

At June 30, 1998	Bank	Category			Carrying Amount
	Balance	1	2	3	
Cash and cash equivalents	\$ 238,411	\$ 100,000	\$ -	\$ 138,411	\$ 238,411
Certificates of deposit	892,000	892,000	-	-	892,000
Petty cash	-	-	-	-	500
Total cash and cash equivalents	\$ 1,130,411	\$ 892,000	\$ -	\$ 138,411	\$ 1,130,911
<hr/>					
At June 30, 1997					
Cash and cash equivalents	\$ 102,480	\$ 100,000	\$ -	\$ 2,480	\$ 104,960
Certificates of deposit	892,000	892,000	-	-	892,000
Petty cash	-	-	-	-	500
Total cash and cash equivalents	\$ 1,012,480	\$ 892,000	\$ -	\$ 2,480	\$ 997,460

3. Changes in General Long Term Obligations

At June 30, 1998 and 1997, employees of the Commission have accumulated and vested \$51,823 and \$46,479 of employee leave benefits, which was computed in accordance with GASB Codification § C68. This amount is recorded within the general long term obligations account group.

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Notes to Financial Statements, Continued

June 30, 1997

General long term obligations consist entirely of compensated absences. The following is a summary of the long term obligation transactions during the year:

Long term obligations payable at June 30, 1996	\$ 45,401
Additions	6,079
Deductions	(5,011)
Long term obligations payable at June 30, 1997	46,479
Additions	3,061
Deductions	(157)
Long term obligations payable at June 30, 1998	\$ 49,383

4. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Furniture and equipment	\$ 266,691	\$ 79,298	\$ 62,276	\$ 279,613
Land and building	308,980	-	-	308,980
Total	\$ 466,671	\$ 79,298	\$ 62,276	\$ 479,613

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1997
Furniture and equipment	\$ 258,965	\$ 48,316	\$ 38,598	\$ 266,683
Land and building	308,980	-	-	308,980
Total	\$ 458,945	\$ 48,316	\$ 38,598	\$ 466,663

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Notes to Financial Statements, Continued

June 30, 1998

5. Retirement Commitments

State Employees Retirement System of Louisiana (SERS)

Plan Description. All of the Commission's full-time general employees participate in the SERS, a non-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. SERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State Employees Retirement System of Louisiana, 8400 United Plaza Boulevard, Baton Rouge, Louisiana, 70809, or by calling (504) 932-0600.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and employers are required to contribute at an actuarially determined rate. The current employer rate is 32.4% of annual covered payroll. The contribution requirements of plan members and employers are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Commission's contributions to SERS for the years ending June 30, 1998 and 1997, were \$35,124 and \$48,282, respectively, and were equal to the required contributions for each year.

6. Post Employment Health Care and Life Insurance Benefits

The Commission provides certain continuing health care and life insurance benefits for its retired employees. Substantially, all the Commission's employees become eligible for these benefits if they reach normal retirement age while working for the Commission. These benefits for retirees and similar benefits for active employees are provided through the State Employees Group Benefits Program whose monthly premiums are paid jointly by the employee and the Commission. The Commission recognizes the cost of providing these benefits as an expenditure when paid during the year. The cost of providing benefits for two retirees totaled \$6,134 for the year ended June 30, 1998 and \$6,134 for the year ended June 30, 1997.

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

Supplemental Information Schedules

Years Ended June 30, 1998 and 1997

Schedule of Changes in Balance

Changes in balance for the Surety Bond Claims Fund (Agency Fund) for the years ended June 30, 1998 and 1997, are presented on Schedule 1.

Schedule of Per Diem Paid Commission Members

The schedules of per diem paid Commission members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Commission members are paid \$25 for each Commission meeting they attend, not to exceed \$1,800 each year to any one person, as authorized by Louisiana Revised Statute 33:712.

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION*Schedule of Changes in Balance**Years Ended June 30, 1998 and 1997**Fiduciary Fund - Agency Fund - Surety Bond Claims Fund*

	1998	1997
Balance, Beginning of Year	\$ -	\$ -
Add proceeds from bonding company	19,075	32,843
	19,075	32,843
Less payments to claimants	(19,075)	(32,843)
Balance, End of Year	\$ -	\$ -

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION*Schedule of Per Diem Paid Commission Members**Year Ended June 30, 1988*

	Number	Amount
James Cook	9	\$ 675
Samuel L. Davidson	8	600
Richard Friedelstein	8	600
Jim Gauthier	11	825
Charles Hensley	7	525
Francis A. Landry	12	900
Gerald Link	11	825
Lee A. Meyer	3	225
Marcia Ramsey	12	900
M. J. Sully, Jr.	10	750
Henry A. Smith	10	750
Total		<u>\$ 7,425</u>

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION*Schedule of Per Diem Paid Commission Members**Year Ended June 30, 1997*

	Number	Amount
James Cook	7	\$ 525
Samuel L. Davidson	6	480
Jim Gauthier	10	750
Charles Fleck	9	675
Francis A. Landry	12	900
Gerald Link	10	750
Lee A. Meyer	3	225
Marvin Ramsey	11	825
M. J. Sullley, Jr.	10	750
Henry A. Smith	10	750
Total		<u>\$ 6,600</u>



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS

Louisiana Used Motor Vehicle and Parts Commission
 Department of Economic Development, State of Louisiana
 Baton Rouge, Louisiana

We have audited the general purpose financial statements of the Louisiana Used Motor Vehicle and Parts Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 10, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance.

As part of obtaining reasonable assurance about whether the Louisiana Used Motor Vehicle and Parts Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting.

In planning and performing our audit, we considered the Louisiana Used Motor Vehicle and Parts Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being

malfeasance may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the commissioners, management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

August 10, 1998

LOUISIANA USED MOTOR VEHICLE AND PARTS COMMISSION

*Independent Auditor's Comments on Resolution
of Prior Year Audit Findings*

Year Ended June 30, 1998

There were no prior year findings.



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To the Board of Commissioners
Louisiana Used Motor Vehicle and Parts Commission
Department of Economic Development, State of Louisiana
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the Louisiana Used Motor Vehicle and Parts Commission, a component of the State of Louisiana, for the year ended June 30, 1998, and have issued our report thereon dated August 11, 1998. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our contract dated July 2, 1996, our responsibility as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance about whether the general purpose financial statements are free of material misstatements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defractions, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Louisiana Used Motor Vehicle and Parts Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Louisiana Used Motor Vehicle and Parts Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information In Documents Containing Audited Financial Statements

If there are other documents containing your audited financial statements, we have a responsibility to review those documents to determine whether the information contained in them is materially inconsistent with the audited financial statements. We are not aware of any such documents.

Significant Accounting Policies

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Louisiana Used Motor Vehicle and Parts Commission are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 1998. We noted no transactions entered into by the Louisiana Used Motor Vehicle and parts Commission during the year that were both significant and unusual, and of which under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Louisiana Used Motor Vehicle and Parts Commission that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Louisiana Used Motor Vehicle and Parts Commission's financial reporting process.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's

general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditor

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Louisiana Used Motor Vehicle and Parts Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Commissioners of the Louisiana Used Motor Vehicle and Parts Commission and management of the Louisiana Used Motor Vehicle and Parts Commission, and the Legislative Auditor, and should not be used for any other purpose.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

August 19, 1998