

LEGISLATIVE AUDITOR  
STATE OF LOUISIANA



— DEPARTMENT OF ELECTIONS AND REGISTRATION —  
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT  
ISSUED OCTOBER 27, 2004

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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September 28, 2004

Independent Auditor's Report  
on the Financial Statements

**HONORABLE W. FOX MCKEITHEN**  
**SECRETARY OF STATE**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Department of Elections and Registration, a department within Louisiana state government, as of January 12, 2004, and for the period from July 1, 2002, to January 12, 2004, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Department of Elections and Registration. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1-C to the financial statements, the accompanying special purpose financial statements present only the funds of the Department of Elections and Registration. As such, they present the appropriated and non-appropriated activity of the department that are part of the accounts and fund structure of the State of Louisiana. The appropriated fund reflects appropriated activity of the department that is part of the General Fund (and other funds) of the State of Louisiana. The non-appropriated funds are individual funds of the State of Louisiana not subject to budgetary control. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated funds. These procedures differ from accounting principles generally accepted in the United States of America as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present

financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Department of Elections and Registration at January 12, 2004, and the transactions of such funds for the period from July 1, 2002, to January 12, 2004, on the basis of accounting described in note 1-D.

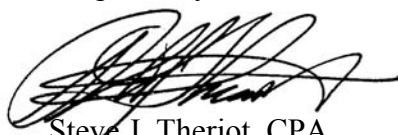
As discussed in note 13 to the financial statements, the department merged with the Department of State effective January 12, 2004, and no longer exists as a separate department.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2004, on our consideration of the Department of Elections and Registration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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.

Our audit was conducted for the purpose of forming an opinion on the accompanying special purpose financial statements of the Department of Elections and Registration taken as a whole. The accompanying supplemental information schedules are presented for the purpose of additional analysis and have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are stated fairly in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Department of Elections and Registration and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

RR:WDD:THC:dl

ELECTION04

**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS**

**Balance Sheet (Legal Basis), January 12, 2004**

	APPROPRIATED	NON-APPROPRIATED FUNDS		TOTAL (MEMORANDUM ONLY)
	FUND - GENERAL APPROPRIATION	INCOME NOT AVAILABLE	AGENCY FUND	
<b>ASSETS</b>				
Cash (note 1-E)	\$1,463,966		(\$5,450)	\$1,458,516
Receivables (note 2)	59,906	\$5,694	5,450	71,050
Inventory of materials and supplies (note 1-F)	1,479,877			1,479,877
<b>TOTAL ASSETS</b>	<b>\$3,003,749</b>	<b>\$5,694</b>	<b>NONE</b>	<b>\$3,009,443</b>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$484,636			\$484,636
Payroll payable	368,268			368,268
Advance from state treasury (note 8)	207,700			207,700
Due to state General Fund	718,153			718,153
Due to other funds (note 9)	50,053			50,053
Income not available due to state treasury		\$5,694		5,694
Other liabilities	63,330			63,330
<b>Total Liabilities</b>	<b>1,892,140</b>	<b>5,694</b>	<b>NONE</b>	<b>1,897,834</b>
Fund Equity - fund balances (deficit):				
Reserved for inventory of materials and supplies (note 1-F)	1,479,877			1,479,877
Unreserved - undesignated (note 10)	(368,268)			(368,268)
<b>Total Fund Equity</b>	<b>1,111,609</b>	<b>NONE</b>	<b>NONE</b>	<b>1,111,609</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$3,003,749</b>	<b>\$5,694</b>	<b>NONE</b>	<b>\$3,009,443</b>

The accompanying notes are an integral part of this statement.

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**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance (Legal Basis)  
For the Period from July 1, 2002, to January 12, 2004**

**REVENUES**

Appropriated by legislature:	
State General Fund	\$46,833,741
State General Fund by fees and self-generated revenues	4,088,575
Total revenues	<u>50,922,316</u>

**EXPENDITURES**

Appropriated expenditures:	
Executive	2,117,776
Voter registration	9,348,324
Elections	33,989,526
Management and finance	1,377,534
Information technology	3,622,489
Total expenditures	<u>50,455,649</u>

<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>466,667</u>
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**OTHER APPROPRIATED FINANCING SOURCES (USES)**

Transfers in	211,315
Transfers out (note 9)	(823,374)
Total other appropriated financing sources (uses)	<u>(612,059)</u>

<b>DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(145,392)
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<b>FUND BALANCE AT BEGINNING OF YEAR</b>	1,226,711
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<b>INCREASE IN RESERVE FOR INVENTORY</b>	30,524
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<b>ADJUSTMENT (note 11)</b>	<u>(234)</u>
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<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$1,111,609</u></u>
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The accompanying notes are an integral part of this statement.

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**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and  
Unexpended Appropriation - Budget  
Comparison of Current-Year Appropriation -  
Budget (Legal Basis) and Actual  
For the Period from July 1, 2002, to January 12, 2004**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Appropriated by legislature:			
State General Fund	\$59,730,079	\$46,833,741	(\$12,896,338)
State General Fund by fees and self-generated revenues	5,352,959	3,265,201	(2,087,758)
State General Fund by interagency transfers	50,000		(50,000)
State General Fund by statutory dedications	211,315	211,315	
Federal	1		(1)
Total appropriated revenues	<u>65,344,354</u>	<u>50,310,257</u>	<u>(15,034,097)</u>
<b>EXPENDITURES</b>			
Appropriated for:			
Executive	2,554,730	2,050,492	504,238
Voter registration	12,377,129	9,313,793	3,063,336
Elections	43,356,937	33,948,659	9,408,278
Management and finance	1,638,987	1,376,304	262,683
Information technology	5,416,571	3,620,775	1,795,796
Total appropriated expenditures	<u>65,344,354</u>	<u>50,310,023</u>	<u>15,034,331</u>
<b>UNEXPENDED APPROPRIATION - CURRENT YEAR</b>	<u>NONE</u>	<u>\$234</u>	<u>\$234</u>

The accompanying notes are an integral part of this statement.

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## INTRODUCTION

The Department of Elections and Registration was a department within the State of Louisiana reporting entity during the period covered by this audit. On January 12, 2004, the Department of Elections and Registration merged with the Department of State as required by Act 451 of the 2001 Regular Legislative Session. This report includes activity from July 1, 2002, through January 12, 2004.

The department was created in accordance with Title 18, Chapter 2 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is responsible for providing and maintaining voting machines and computer absentee counting equipment for all called public elections. The department also prescribes uniform policies and procedures for voter registration within the State of Louisiana and serves as a storehouse for statistical election information. During the period under audit, the department had 91 regular employees; 66 warehouses; 4,131 precincts; and 2,371 polling places throughout the state. The department administered the following number of elections during the period from July 1, 2002, through January 12, 2004: 5 statewide, 743 parish/municipal primaries, 203 parish/municipal general, 76 special vacancies, and 290 local propositions.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. However, the accompanying special purpose financial statements have been prepared on a legal basis prescribed by the Division of Administration, Office of Statewide Reporting and Accounting Policy, which differs from accounting principles generally accepted in the United States of America as described in the following notes.

#### B. REPORTING ENTITY

The State of Louisiana has been determined to be the reporting entity under accounting principles generally accepted in the United States of America. The accompanying financial statements present activity of a department of state government and, therefore, are a part of the funds of the State of Louisiana and its basic financial statements. Annually, the State of Louisiana issues basic financial statements that are audited by the Louisiana Legislative Auditor.

#### C. FUND ACCOUNTING

The Department of Elections and Registration uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position of its non-appropriated funds. This differs from the fund accounting of accounting principles generally accepted in the United States of America

where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of accounting principles generally accepted in the United States of America.

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, capital assets, and long-term liabilities are reflected in the State of Louisiana's basic financial statements.

The funds presented in the special purpose financial statements are described as follows:

**APPROPRIATED FUND - GENERAL  
APPROPRIATION FUND**

The General Appropriation Fund is the general operating fund of the Department of Elections and Registration. It administers and accounts for the legislative appropriation provided to fund the general administrative expenditures of the department and those expenditures not funded through other specific legislative appropriations or revenues.

**NON-APPROPRIATED FUNDS**

**Income Not Available**

The department collects funds specifically identified by the Division of Administration, Office of Planning and Budget, as income not available that are remitted to the state treasury. These amounts are not available to the department for expenditure and, therefore, are not included on Statement B, but are detailed on Schedule 1.

**Agency Fund**

The agency fund is used to account for assets held on behalf of outside parties, including other governments. The agency fund primarily accounts for retiree health and life insurance premiums, as well as the Commissioner of Elections' social security withholdings.

The non-appropriated funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current year expenditures and the use of those resources by the department.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Division of Administration, Office of Statewide Reporting and Accounting Policy.

Under the foregoing legal provisions, the department uses the following practices in recognizing revenues and expenditures:

**Revenues**

State General Fund appropriations are recognized in the amounts appropriated, to the extent withdrawn from the state treasury. Fees and self-generated revenues and income not available are recognized in the amounts earned, to the extent that they will be collected within 45 days of the close of the reporting period.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employees' vested annual and sick leave are recognized as expenditures when paid. Furthermore, expenditures of a long-term nature for which funds have not been appropriated during the current year are not recognized in the accompanying financial statements.

**Other Appropriated Financing Sources and Uses**

Transfers are recognized in the year the department is authorized to receive or make the transfer in accordance with provisions of the Division of Administration, Office of Statewide Reporting and Accounting Policy.

**E. CASH**

Cash is composed of the following (book balances):

Under control of the department:	
Cash in demand accounts	\$585,394
Petty cash (on hand)	100
Cash on deposit with the state treasury	<u>873,022</u>
Total	<u><u>\$1,458,516</u></u>

Under state law, these deposits (or 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 bank. The department has deposit

balances (collected bank balances) of \$677,150 at January 12, 2004, for which the department has control. These deposits are fully secured from risk by \$100,000 of federal deposit insurance and \$577,150 of pledged securities jointly held in the Federal Reserve Bank in the name of the agency and the pledging fiscal agent bank.

Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by accounting principles generally accepted in the United States of America are included within the state's basic financial statements. The following is a summary of cash in the state treasury:

Means of finance	\$40,148
ISIS operating	<u>832,874</u>
Total	<u><u>\$873,022</u></u>

**F. INVENTORIES OF MATERIALS AND SUPPLIES**

Inventories, consisting of voting machine parts, computer supplies, and office supplies, are valued at cost and are recorded as expenditures at the time individual inventory items are purchased. The department uses both perpetual and periodic inventory systems. The perpetual inventory is valued by the weighted-average method. The periodic inventory is valued on the first-in, first-out (FIFO) basis, using the most recent cost of the inventory items, which approximates market. Reported inventories are equally offset by fund balance reserves that indicate they do not constitute available spendable resources even though they are components of net current assets.

**G. LONG-TERM OBLIGATIONS**

The department is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the department arising from lease commitments, installment purchases, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

**H. BUDGET PRACTICES**

The appropriation made for the general operations of the department is an annual lapsing appropriation valid for one year and is recorded in the General Appropriation Fund. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-D, except that the transfers in and out of statutory dedications and returns of appropriation are recognized as revenues on Statement C and the accrual of payroll and related benefits at period-end are not recognized as expenditures on Statement C.



NOTES TO THE FINANCIAL STATEMENTS

The revenues and expenditures of the department, as shown on Statement B, are reconciled with the respective amounts shown on Statement C as follows:

Statement B revenues	\$50,922,316
Interagency transfers in	211,315
Interagency transfers out	<u>(823,374)</u>
 Statement C revenues	 <u><u>\$50,310,257</u></u>
 Statement B expenditures	 \$50,455,649
Prior year payroll accrual	222,642
Current year payroll accrual	<u>(368,268)</u>
 Statement C expenditures	 <u><u>\$50,310,023</u></u>

The department is prohibited by statute from over expending the program levels established in the General Appropriations Act. Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

	Programs					Total
	Executive	Voter Registration	Elections	Management and Finance	Information Technology Program	
Original approved budget:						
Act 13 of 2002	\$1,450,388	\$5,388,746	\$19,742,898	\$903,158	\$2,955,680	\$30,440,870
Act 14 of 2003	1,104,342	6,601,573	21,056,956	735,829	2,925,918	32,424,618
Budget adjustments:						
Interagency budget		386,810			(386,810)	
Budget increase			2,831,640			2,831,640
Budget reduction			<u>(274,557)</u>		<u>(78,217)</u>	<u>(352,774)</u>
 Final Budget	 <u><u>\$2,554,730</u></u>	 <u><u>\$12,377,129</u></u>	 <u><u>\$43,356,937</u></u>	 <u><u>\$1,638,987</u></u>	 <u><u>\$5,416,571</u></u>	 <u><u>\$65,344,354</u></u>

The non-appropriated funds are not subject to budgetary control.

**I. LEAVE BENEFITS**

Employees earn and accumulate annual and sick leave at various rates depending on their years of service, without limitation on the balance that can be accumulated. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination but are not compensated for unused sick leave. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual leave payable at January 12, 2004, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.104, is estimated to be \$1,243,938 for the General Appropriation Fund. The leave

payable is not accrued (reflected) in the accompanying special purpose financial statements.

Certain employees of the department are eligible to earn compensatory time, as defined by the Department of State Civil Service and the Fair Labor Standards Act. These employees can earn and accumulate one hour or one and one-half hours for each hour of overtime worked, depending on their position and rate of pay. Generally, the employees are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another. The liability for accrued compensatory leave at January 12, 2004, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.104, is estimated to be \$9,985 for the General Appropriation Fund. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

**J. TOTAL COLUMN ON BALANCE SHEET**

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations. Neither is such data comparable to a consolidation.

**2. ACCOUNTS RECEIVABLE**

The following schedule presents the adjustments necessary to convert modified accrual basis accounts receivable, as shown in Statement A and the schedules, to full accrual basis accounts receivable as required by the Office of Statewide Reporting and Accounting Policy.

<u>Source</u>	<u>Accounts Receivable - Modified Accrual Basis</u>	<u>Full Accrual Adjustment</u>	<u>Allowance for Doubtful Accounts</u>	<u>Accounts Receivable, Net - Full Accrual Basis</u>
Appropriated revenues -				
Fees and self-generated revenues	\$59,906	\$922,547	(\$374,623)	\$607,830
Non-appropriated revenues:				
Income not available	5,694			5,694
Agency Fund	5,450			5,450
Total non-appropriated revenues	11,144	NONE	NONE	11,144
 Total	 \$71,050	 \$922,547	 (\$374,623)	 \$618,974

**3. PENSION PLANS**

Substantially all employees of the department are members of two statewide, public retirement systems. Parish registrars and their employees are generally members of the Louisiana Registrar of Voters Retirement System (RVRS) and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS), which are cost-sharing, multiple-employer defined benefit pension plans. Generally, all full-time employees are eligible

to participate in the systems, with employee benefits vesting after 10 years of service. Required disclosures for LASERS for fiscal years 2003 and 2004 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

Contributions to the RVRS are funded through employee contributions and an employer contribution. However, the Public Retirement System's Actuarial Committee decided that no employer contribution was required for the RVRS for the year ended June 30, 2003. In fiscal year 2004, the Department of Elections and Registration began contributing to RVRS at a rate of 3.25% as required. The employee contribution rate of 7% is established by state statute. The department's employer contribution is funded by the State of Louisiana through the annual appropriation to the department.

**4.     POSTEMPLOYMENT HEALTH CARE  
       AND LIFE INSURANCE BENEFITS**

The department provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees and similar benefits for active employees are provided through the state's Group Benefits self-insurance program or one of the HMOs authorized by the program. Monthly premiums are paid jointly by the employee and the department. The department's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the period from July 1, 2002, to January 12, 2004, the cost of retiree benefits totaled \$357,612 for 152 retirees. The cost of retirees' benefits is net of the participants' contributions.

**5.     JUDGMENTS, CLAIMS, AND  
       SIMILAR CONTINGENCIES**

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by General Fund appropriation and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

**6.     LEASE OBLIGATIONS**

The department has noncancelable operating leases for warehouse space to store voting machine equipment and parts. The future annual operating lease payments are presented as follows:

## DEPARTMENT OF ELECTIONS AND REGISTRATION

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For the period:

January 13, 2004, to June 30, 2004	\$111,032
Fiscal year ended June 30, 2005	103,100
Fiscal year ended June 30, 2006	103,100
Fiscal year ended June 30, 2007	<u>96,554</u>
Total	<u><u>\$413,786</u></u>

The lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal year. Rental and lease expenditures for the period from July 1, 2002, to January 12, 2004, totaled \$3,025,274. There were no capital leases for the same period.

### 7. INSTALLMENT PURCHASES

The department has entered into various installment purchase agreements with the Division of Administration under the Louisiana Equipment Acquisition Fund (LEAF) Program and with G.E. Capital Public Finance, Inc., for the purchase of equipment. The following is a summary of installment payments of the department for the period from July 1, 2002, to January 12, 2004:

	<u>LEAF Program</u>	<u>G.E. Capital Public Finance, Inc.</u>	<u>Election System &amp; Software</u>	<u>Total</u>
Balance at June 30, 2002	\$908,086	\$1,480,392		\$2,388,478
Purchases	95,024		\$1,702,210	1,797,234
Installment payments	<u>(622,949)</u>	<u>(1,421,153)</u>	<u>(600,000)</u>	<u>(2,644,102)</u>
Balance at January 12, 2004	<u>\$380,161</u>	<u>\$59,239</u>	<u>\$1,102,210</u>	<u>\$1,541,610</u>

The LEAF agreement for the purchase of voting machines from Election System & Software has not been finalized because of problems relating to equipment and software. Final acceptance by the Department of Elections and Registration has been delayed. The Department made a single payment of \$600,000 leaving a balance due of \$1,102,210 to be amortized after acceptance of the equipment and software. As of January 12, 2004, the future minimum installment payments have not been determined. The department plans to accept the machines by the end of fiscal year 2004.

The following is a summary of future minimum installment payments as of January 12, 2004:

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NOTES TO THE FINANCIAL STATEMENTS

	LEAF Program	G.E. Capital Public Finance, Inc.	Total
For the Period:			
January 13, 2004 - June 30, 2004	\$214,905	\$59,660	\$274,565
Fiscal Year Ended June 30, 2005	161,972		161,972
Fiscal Year Ended June 30, 2006	8,147		8,147
Total minimum installment payments	385,024	59,660	444,684
Less - amount representing interest	(4,863)	(421)	(5,284)
 Present value of net minimum installment purchases	 \$380,161	 \$59,239	 \$439,400

The installment purchase agreements have a non-appropriation exculpatory clause that allows for cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal year. The liability for the installment purchases is not recorded in the accompanying financial statements.

**8. ADVANCE FROM STATE TREASURY**

The department received an advance from the state treasury for imprest fund operations totaling \$207,700, as authorized by the commissioner of administration in accordance with Title 39 of the Louisiana Revised Statutes. The fund is permanently established and is periodically replenished from the appropriated funds.

**9. DUE TO OTHER FUNDS AND TRANSFERS OUT**

Due to other funds of \$50,053 and transfers out of \$823,374, as shown on Statement A and Statement B, respectively, represent returns of appropriation of self-generated funds.

**10. FUND BALANCE - UNRESERVED - UNDESIGNATED (DEFICIT)**

As shown on Statement A, the General Appropriation Fund has an unreserved - undesignated fund deficit of \$368,268 at January 12, 2004. The deficit was the result of the recognition of accrued salaries and related benefits as required by the Office of the Governor, Division of Administration, and the fact that revenues to fund those accruals are not recognized at January 12, 2004. The deficit will be resolved by the department drawing the necessary funds from its appropriation when the payroll is actually paid.

**11. ADJUSTMENT TO FUND BALANCE  
AT BEGINNING OF PERIOD**

Adjustment to the beginning fund balance of the General Appropriation Fund, as shown on Statement B, is (\$234), which is a net adjustment for an understatement of prior year expenditures.

**12. DEFERRED COMPENSATION PLAN**

Certain employees of the department participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**13. MERGER AND CONSOLIDATION  
WITH DEPARTMENT OF STATE**

In accordance with Act 451 of the 2001 Regular Session, the Department of Elections and Registration merged with the Department of State. In accordance with the Act, a plan for the merger was submitted to the House Committee on House and Governmental Affairs and the Senate Committee on Senate and Governmental Affairs on February 6, 2002. The merger became effective on January 12, 2004, which was the expiration of the term of office of the commissioner of elections. On January 12, 2004, all assets and liabilities of the Department of Elections and Registration were conveyed to or assumed by the Department of State

**SCHEDULE OF NON-APPROPRIATED REVENUES -  
INCOME NOT AVAILABLE**

Schedule 1 reflects income not available collected by the department during the period from July 1, 2002, to January 12, 2004, that was not available to the department for expenditure.

**SCHEDULE OF CHANGES IN BALANCES**

Schedule 2 presents the changes in balances for the non-appropriated funds for the period from July 1, 2002, to January 12, 2004.

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**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
NON-APPROPRIATED FUND - INCOME NOT AVAILABLE**

**Schedule of Non-Appropriated Revenues  
For the Period from July 1, 2002, to January 12, 2004**

Cash receipts through January 12, 2004	\$1,437,749
Accounts receivable at January 12, 2004	<u>5,694</u>
Income not available at January 12, 2004	<u><u>\$1,443,443</u></u>

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**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
NON-APPROPRIATED - AGENCY FUND**

**Schedule of Changes in Balance  
For the Period from July 1, 2002, to January 12, 2004**

	<u>AGENCY FUND</u>
<b>BALANCE AT BEGINNING OF PERIOD</b>	<u>\$5,988</u>
<b>ADDITIONS</b>	
Commissioner's social security tax	16,903
Retiree health and life insurance premiums	93,576
Other	4
Total additions	<u>110,483</u>
<b>DEDUCTIONS</b>	
Commissioner's social security tax	17,034
Retiree health and life insurance premiums	104,823
Other	64
Total deductions	<u>121,921</u>
<b>BALANCE AT END OF PERIOD, BEFORE ACCRUALS</b>	<u>(5,450)</u>
<b>RECEIVABLES</b>	
Commissioner's social security tax	92
Retiree health and life insurance premiums	5,358
Total	<u>5,450</u>
<b>BALANCE AT END OF PERIOD</b>	<u><u>NONE</u></u>

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**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870  
www.lla.state.la.us

September 28, 2004

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Special Purpose Financial Statements  
Performed in Accordance With *Government Auditing Standards*

**HONORABLE W. FOX MCKEITHEN**  
**SECRETARY OF STATE**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of Elections and Registration, a department within Louisiana state government, as of January 12, 2004, and for the period from July 1, 2002, to January 12, 2004, and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Department of Elections and Registration's special purpose 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Failure to Adequately Document Educational Expenses**

The Department of Elections and Registration did not maintain adequate supporting documentation for the educational expenses and related educational leave granted for one of its employees. The department's Personnel Policy states that the department will pay tuition costs for department required courses and that, if the employee elects to withdraw or does not complete the course with a passing grade, the employee will be required to reimburse the department for all fees within 30 days from the withdrawal or course completion date. In addition, it is departmental policy that any educational leave taken

by employees is to be documented through the use of leave request forms and maintained with the employee's time sheet.

During fiscal years 2003 and 2004, an employee of the department was authorized to take 11 courses at a community college over four semesters. The department paid all tuition and fees for the employee; however, documentation was not present to indicate successful completion or withdrawal from these courses or to indicate that the courses were directly related to the employee's duties. Although one course was taken in two different semesters, there was no documentation to indicate that any of the tuition or fees for the course was paid back to the department. In addition, no documentation was available to indicate when educational leave was taken or that management approved the educational leave. The cost of tuition and fees for the employee to attend the community college totaled \$2,553. Based on class schedules and the employee's hourly rate of pay, the cost to the department for the time that the employee was on educational leave to attend class was approximately \$14,391, for a total cost of approximately \$16,944.

Because the department did not follow established policies for payment of educational expenses and for the use of educational leave, there is an increased risk that unapproved activities or fraud could occur without being detected in a timely manner. The Department of Elections and Registration should maintain adequate documentation to support payments for educational expenses and educational leave, including proof of successful completion of each course. If the employee does not complete the course, the department should document the tuition reimbursement to the department. The department should also document that all courses taken are directly related to the employee's duties to ensure that the department will receive some benefit. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 1).

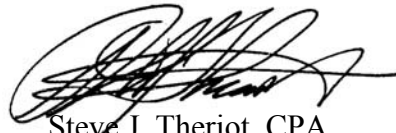
### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department of Elections and Registration'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 special purpose financial statements being audited 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 solely for the information and use of the Department of Elections and Registration and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written over a circular stamp or seal.

Steve J. Theriot, CPA  
Legislative Auditor

RR:WDD:THC:dl

ELECTION04

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# Management's Corrective Action Plan and Response

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FOX McKEITHEN  
SECRETARY OF STATE

STATE OF LOUISIANA  
SECRETARY OF STATE  
P.O. BOX 94125  
BATON ROUGE, LA. 70804-9125  
www.sos.louisiana.gov



August 30, 2004

Steve J. Theriot, CPA  
Legislative Auditor  
State of Louisiana  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

RE: Department of Elections and Registration  
Failure to Adequately Document Educational Expenses

Dear Mr. Theriot:

At noon on January 12, 2004, the Department of Elections and Registration was merged into the Department of State. At this point in time, an audit was performed by your office on the Department of Elections and Registration for Fiscal Year 2002-2003 and Fiscal Year 2003-2004 (until noon on January 12, 2004).

We are in receipt of the attached audit finding for the Department of Elections and Registration for the period listed above. Since Suzanne Haik Terrell is no longer the Commissioner of Elections, the Department of State will respond to the audit finding.

During the Terrell administration, no new personnel policies and procedures were adopted. As a result, the Personnel Policy Manual which was adopted by the Fowler administration was still in effect. The Department of State concurs with the audit finding regarding the Department's failure to maintain adequate supporting documentation for educational expenses and related educational leave granted one of its employees in accordance established personnel procedures.

The Department of State adopted Policy Statement #13 on My 1, 2002 with regard to Educational Leave and Reimbursement for Courses. A copy of this policy is attached. This policy applies to all Department of State employees. In the Department's policy, the issues concerning educational leave, reimbursement of tuition fees, and applicability of classes to the employee's job have been addressed. The Department will

Page 2  
Steve J. Theriot, CPA  
August 30, 2004

follow these guidelines in the future with regard to using educational leave,  
reimbursement for courses, and applicability of course to the employee's job.

Please feel free to call my Department if you should have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. Fox McKeithen".

W. Fox McKeithen  
Secretary of State

WFM:cg

Cc: Jane Lambert  
Cheryl Achord  
Pam Rainey  
Carol Guidry

DEPARTMENT OF STATE  
SECRETARY OF STATE

POLICY STATEMENT #13

EFFECTIVE DATE: May 1, 2002

SUBJECT: Educational Leave and Reimbursement for Courses

AUTHORIZATION:   
Jane T. Lambert  
Undersecretary

I. POLICY:

It is the policy of the Secretary of State to assist employees in obtaining any available education or training which will enhance their ability to perform their job duties in their present position or make them more eligible and available for advancement in their career path.

II. PURPOSE:

This policy will describe the types of educational assistance available, the method for requesting them, and the appointing authority's options in granting them.

III. SCOPE:

This procedure applies to all sections within the Department of State, Secretary of State.

IV. RESPONSIBILITY:

Section heads are responsible for reviewing requests from employees in their sections regarding the use of educational assistance and making a recommendation to the Appointing Authority regarding approval. Section heads are also responsible for maintaining appropriate documentation as required for time and attendance purposes.

V. PROCEDURE:

A. For the purpose of this directive, two types of assistance may be granted:

1. Educational Leave: Civil Service Rules 11.24 (b) states, "Educational Leave with pay may be granted an employee for a maximum of thirty calendar days in one calendar year if the course of instruction to be taken is pertinent to the work of the employee in his/her Department, provided that a permanent employee may be granted such leave for a maximum of ninety calendar days in one calendar year if the Department requires him/her to take special training."

This educational leave may also be granted on a prorated basis whereby the employee takes the leave on an hourly basis but not to exceed the number of hours equal to 30 calendar days in one calendar year. In this fashion, an employee might be allowed two (2) hours of Educational Leave three (3) days a week over the course of one semester in order to attend a course.

2. Reimbursement of Tuition Fees: The Appointing Authority may approve reimbursement for tuition fees to employees under the following conditions:
  - a. The employee must complete courses which are pertinent to his/her present position or which might enhance his/her ability to perform in higher level positions in his/her career path and thus increase his/her chances for promotion, and
  - b. The employee must receive a grade of "B" or pass the course if the course is being taken on a Pass - Fail basis.
  - c. Funds for this reimbursement would have to be available within the budget of the section, typically in the travel category.
  - d. The employee would be required to produce documented proof of successful completion of the course before reimbursement.
  - e. Eligible reimbursement would involve only tuition, i.e., the fee paid to enroll in a particular course of study. The reimbursement does not include registration fees or books and supplies necessary for the course. Reimbursement could apply to courses taken after hours as well as the courses taken while on Educational Leave.
  
- B. Requests for Educational Leave and/or reimbursement for courses taken must be made in writing to the section head. The section head should forward the request along with his/her recommendation to the Appointing Authority. Included in the request must be:
  1. The title and number of the course and number of hours required to be taken.
  2. The name of the educational institution where the course will be taken must be included.
  3. The exact dates and times that the employee would be required to be absent from his/her position for participation in the course (if necessary).



4. The class schedule and duration must be included.
5. A complete and thorough narrative explaining how participation in the course would enhance the employee's performance in his/her present position or career field is required.

The employee prior to enrolling for the course if reimbursement is desired must seek approval. Exceptions may be made on a case by case basis.

All requests for Educational Leave and/or reimbursement for courses must be submitted to and approved by the Appointing Authority before any authorization is granted.

Reasonable accommodation may be requested under the Americans With Disabilities Act. Where possible, such requests should be made a part of the initial request for Leave and/or reimbursement. For more information regarding this provision, contact the Human Resources Office.