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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

LOUISIANA STATE BOARD OF
EXAMINERS OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT

STATE OF LOUISIANA

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 10 1998

LOUISIANA STATE BOARD OF EXAMINERS
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT

STATE OF LOUISIANA

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Zahn, Kenney & Bresette
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Louisiana State Board of Examiners of Interior Designers
Department of Economic Development
State of Louisiana

We have audited the accompanying financial statements of the Louisiana State Board of Examiners of Interior Designers (Board), a component unit of the Department of Economic Development, State of Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the management of the Board. Our responsibility is to express an opinion on these 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 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.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Board, as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 24, 1998 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information presented on pages 14 through 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Zahn, Kenney & Bresette
Metairie, Louisiana
July 24, 1998

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LOUISIANA STATE BOARD OF EXAMINERS
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA

COMBINED BALANCE SHEET - ALL FUND
TYPES AND ACCOUNT GROUPS

JUNE 30, 1998

	GOVERNMENTAL <u>FUND TYPE</u> General Fund	<u>ACCOUNT GROUPS</u>		Total (Memo Only)
		General Fixed Assets	General Long-Term Obligations	
<u>ASSETS</u>				
Cash	\$ 67,291	\$ -	\$ -	\$ 67,291
Prepaid expenses	648	-	-	648
Fixed assets	-	22,516	-	22,516
Amount to be provided for payment of accrued leave	-	-	1,586	1,586
Total assets	\$ <u>67,939</u>	\$ <u>22,516</u>	\$ <u>1,586</u>	\$ <u>92,041</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 1,096	\$ -	\$ -	\$ 1,096
Accrued expenses	508	-	-	508
Accrued annual leave	<u>508</u>	-	<u>1,586</u>	<u>2,094</u>
Total liabilities	2,112	-	1,586	3,698
<u>FUND BALANCES</u>				
Investment in general fixed assets	-	22,516	-	22,516
Fund balance, unreserved, undesignated	<u>65,827</u>	-	-	<u>65,827</u>
Total liabilities and fund balances	\$ <u>67,939</u>	\$ <u>22,516</u>	\$ <u>1,586</u>	\$ <u>92,041</u>

(See notes to financial statements)

LOUISIANA STATE BOARD OF EXAMINERS
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GENERAL FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Licenses, permits and fees	\$ 55,000	\$ 58,100	\$ 3,100
Educational program fees	13,000	9,335	(3,665)
Use of money	<u>4,000</u>	<u>762</u>	<u>(3,238)</u>
Total revenues	72,000	68,197	(3,803)
<u>EXPENDITURES</u>			
Personal services and related benefits	18,698	18,927	(229)
Operating expenses	16,050	17,233	(1,183)
Professional services	11,375	2,975	8,400
Other charges	16,600	9,988	6,612
Capital outlay	<u>1,000</u>	<u>213</u>	<u>787</u>
Total expenditures	<u>63,723</u>	<u>49,336</u>	<u>14,387</u>
Excess of revenues over expenditures	8,277	18,861	10,584
<u>FUND BALANCE</u>			
Fund Balance, July 1, 1997	<u>46,966</u>	<u>46,966</u>	<u>-</u>
Fund Balance, June 30, 1998	<u>\$ 55,243</u>	<u>\$ 65,827</u>	<u>\$ 10,584</u>

(See notes to financial statements)

LOUISIANA STATE BOARD OF EXAMINERS
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana State Board of Examiners of Interior Designers (the Board) is a component unit of the State of Louisiana (the State) created within the Louisiana Department of Economic Development, as provided by Louisiana Revised Statutes 37:3171. The Board operates within the Department of Economic Development and is composed of seven members, appointed by the Governor. The members serve terms concurrent to the term of office of the Governor appointing them, except that each member shall serve until his successor has been appointed and begins serving. It is charged statutorily with the protection of the public health, safety, and welfare of the people of the State by prohibiting the use of the title "licensed interior designer" by non licensed persons, to establish a board to set rules and criteria for licensing to protect the public from those not competent, and to prescribe penalties for violations. Operations of the Board are funded with self-generated license, examination and other related fees.

In April of 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 the state and local governmental entities. In June of 1987, the GASB issued a revised codification of governmental accounting and financial reporting standards. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Board prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State. The accompanying statements present only transactions of the Board, a component unit of the State.

Annually the State issues general purpose financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

B. FUND ACCOUNTING

The accounts of the Board are organized into a general fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

The fund and account groups presented in the financial statements are described as follows:

General Fund

The general fund is used to account for the general operations of the Board. The various revenues and expenditures are accounted for in this fund.

Account Groups

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

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Board's records are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting all revenue is recognized when measurable and available rather than when earned, and all expenditures are recognized when the obligation is incurred.

D. BUDGET PRACTICES

Budgets are prepared and adopted by the Board annually. The current fiscal year budget was adopted at the December 11, 1997 Board meeting.

In accordance with Louisiana Revised Statutes 39:1331 the Board submits a copy of its proposed budget and any subsequent amendments for the ensuing fiscal year to the Joint Legislative Committee on the Budget, to each chairman of a standing committee of the legislature having jurisdiction as listed in R.S. 49:968, to the Legislative Auditor, and the Legislative Fiscal Office.

The proposed budget is due no later than the first day of January. The Board monitors the budget and makes changes, when deemed appropriate.

The Board made no changes or amendments to the budget. Budgets are prepared on the modified accrual basis of accounting, including the changes in fund balance.

All funds budgeted are immediately available, as the Board's operations are financed with self-generated revenues. Therefore, the budget is known as a non-appropriated budget.

The Board does not follow the encumbrances method of accounting.

E. CASH AND CASH EQUIVALENTS

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits and certificates of deposit. Under state law the Board may deposit funds within a fiscal agent bank selected and designated by the Board. Further, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state-chartered credit unions.

As reflected on the balance sheet, the Board had cash and cash equivalents totaling \$67,291 at June 30, 1998. Cash and cash equivalents are stated at cost, which approximates market. Under state law these deposits 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. As of June 30, 1998, the amount on deposit was secured as follows:

	<u>Cash</u>
Carrying Amount on Balance Sheet	\$ <u>67,291</u>
Bank Balance:	
1. Insured (FDIC)	\$ 67,191
2. Uncollateralized, including any securities held for the entity but not in the entity's name - Petty Cash	<u>100</u>
Total Bank Balances	\$ <u>67,291</u>

F. INVESTMENTS

The Board does not maintain investment accounts.

G. VACATION AND SICK LEAVE

The Board has the following policy related to annual and sick leave. The earning of annual and sick leave is based on the equivalent of full-time state service. It is credited at the end of each regular pay period of 80 hours of regular duty.

Accrued unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave must be applied for by the employee and may be used only when approved by the Board. Upon retirement or resignation, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay.

Upon retirement or resignation, the employee is not paid for any unused sick leave. Annual leave in excess of 300 hours and sick leave are used in the retirement benefit computation as earned service.

At June 30, 1998, the employee of the Board had accumulated and vested \$2,094 of employee leave benefits, which was computed in accordance with GASB Codification Section C60, as modified by GASB Statement Number 16. Of this amount \$508 is recorded as an obligation of the General Fund and \$1,586 is recorded within the General Long-Term Debt Account Group.

H. TOTAL COLUMNS ON STATEMENTS

The total column on the Balance Sheet is captioned Memorandum Only 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.

I. GENERAL FIXED ASSETS

Fixed assets used in the governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Depreciation has not been provided for on these fixed assets. All fixed assets are valued at historical cost or estimated historical cost.

The changes in general fixed assets (all furniture and equipment) follows:

Balance at July 1, 1997	\$ 22,516
Additions	-
Deletions	<u>-</u>
Balance at June 30, 1998	<u>\$ 22,516</u>

J. PENSION PLAN

The Board's employee participates in the Louisiana State Employees' Retirement System (LASERS). In addition to the employee contribution withheld at 7.5% of gross salary, the Board contributes an additional 13% of gross salary. Current year contributions to the system were funded through employee and employer contributions of \$990 and \$1,716 respectively. The total current year payroll of the agency was \$13,200 and its current year payroll covered by the retirement system was \$13,200. Under present statutes, the Board does not guarantee any of the benefits granted by the retirement system.

K. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Board may provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Board employees become eligible for those benefits if they reach normal retirement age while working for the Board. Those benefits for retirees and similar benefits for

K. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (CONTINUED)

active employees are provided through an insurance company whose monthly premiums are paid jointly by the employees and by the Board. The Board recognizes the cost of providing the benefits (Board's portion of premiums) as an expenditure when paid during the year. The Board has no retired employees, and at present does not provide life insurance benefits.

L. LEASES

The Board rents its office space under an operating lease and shares the rent expense equally with the Louisiana Auctioneers Licensing Board. The lease expense is included in operating services and the total rent expense for the fiscal year ended June 30, 1998 was \$6,056. The final payment on the lease will be November 1, 1999. Annual lease expense under the lease term is as follows:

Fiscal Year Ending:	
June 30, 1999	5,700
June 30, 2000	<u>2,375</u>
Total	<u>\$ 8,075</u>

The Board may terminate the lease after 60 days notice in the event the State of Louisiana provides adequate space in a state-owned building.

M. GENERAL LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are accounted for in the general long-term obligation account group, not in the governmental funds.

The following is a summary of the long-term obligation transactions during the year:

Long-term obligations payable at July 1, 1997	\$ 539
Additions	1,047
Deductions	<u>-</u>
Long-term obligations payable at June 30, 1998	<u>\$ 1,586</u>

N. RELATED PARTY TRANSACTIONS

The Board has entered into an informal agreement with the Louisiana Auctioneers Licensing Board to share furniture and equipment, payroll costs, and office expenses. At June 30, 1998 this Board owes the Auctioneers Board \$332 which is included as part of accounts payable.

O. LITIGATION

At June 30, 1998, there was no litigation pending against the Board.

Zahn, Kenney & Bresette

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Louisiana State Board of Examiners of Interior Designers
Department of Economic Development
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana State Board of Examiners of Interior Designers (Board), a component unit of the Department of Economic Development, State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated July 24, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial reporting contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Board'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 audited may occur and not be detected within a timely period

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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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Board in a separate letter dated July 24, 1998.

This report is intended for the information of the Board's management and the Legislative Audit Advisory Committee. However, this report is a matter of public record and its distribution is not limited.

Zahn, Kenney & Bresette
Metairie, Louisiana
July 24, 1998

LOUISIANA STATE BOARD OF EXAMINERS
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT

STATE OF LOUISIANA

SUPPLEMENTAL INFORMATION SCHEDULE

FOR THE YEAR ENDED JUNE 30, 1998

The schedule of per diem paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board members were paid \$97 per day for each board meeting they attend, as authorized by Louisiana Revised Statute 37:3175.

LOUISIANA STATE BOARD OF EXAMINERS
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT

STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

FOR THE YEAR ENDED JUNE 30, 1998

<u>Name</u>	<u>Amount</u>
J. Daniel Bouligny	\$ 485
William D. Ray	463
Deborah Steinmetz	463
Robert King	366
Nell Fetzer	560
Paulette Hebert	388
Missy Wagner	<u>560</u>
Total	<u>\$ 3,285</u>

SUMMARY OF PRIOR AUDIT FINDINGS

- 1.) We noted in our last two management letters, dated September 11, 1996 and August 5, 1997, respectively, that the Board was not in compliance with state travel regulations with regard to the proper completion of the travel reimbursement request form.

The Board still does not require that the travel expense reimbursement request form be completed in detail. The date and hour of departure from and return to domicile is not completed. Further, the travel origination and destination points, odometer readings and miles traveled for the return trip from Baton Rouge to the Board member's domicile are not required to be completed. Prior to reimbursing any travel expenses this form should be completed "to include all details provided for on the form" and checked for completeness and accuracy.

- 2.) We noted in our last audit letter, dated August 5, 1997, the need for an active finance committee. Since the Board has only one employee it is difficult to have adequate segregation of duties. We suggested that the active involvement of the Board members could provide the necessary controls to overcome the lack of segregation of duties. The Board has appointed a finance committee which has addressed this situation. The additional oversight provided by the finance committee involvement has helped alleviate the lack of segregation of duties.
- 3.) We reported in our last two audit letters dated September 11, 1996 and August 5, 1997 that the approved budgets were in deficit positions. We recommended that the budget for the fiscal year ending June 30, 1998 be amended to show the expected results due to the fee increase which had already been approved by the Legislature. This was done and the budget did not show a deficit for the fiscal year ended June 30, 1998.

Zahn, Kenney & Bresette

Certified Public Accountants

Louisiana State Board of Examiners of Interior Designers
Department of Economic Development
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of the Louisiana State Board of Examiners of Interior Designers (Board) for the year ended June 30, 1998, we considered its internal control structure 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 structure.

We previously reported on the Board's internal control structure in our report dated July 24, 1998. This letter does not affect our report dated July 24, 1998 on the financial statements of the Board. However, during our audit, we noted the following items that are opportunities for strengthening internal controls and operating efficiency.

- 1.) We noted in our last two audit letters, dated September 11, 1996 and August 5, 1997, respectively, that the Board was not in compliance with Part V. Policy and Procedure memorandum, Chapter 15, General Travel Regulations - P.P.M. 49, Section 1505 which states that "all claims for reimbursement of travel shall be submitted on state Form BA-12, . . . , and shall include all details provided for on the form." It goes on to state that "in all cases the date and hour of departure from and return to domicile must be shown."

The Board still does not require that the travel expense reimbursement request form be completed in detail. The date and hour of departure from and return to domicile is not completed. Further, the travel origination and destination points, odometer readings and miles traveled for the return trip from Baton Rouge to the Board member's domicile are not required to be completed. Prior to reimbursing any travel expenses this form should be completed "to include all details provided for on the form" and checked for completeness and accuracy.

We recommend that the travel expense form be completed by the Board member after returning to their domicile. Then the form could be completed with all the necessary information, including departure and arrival times, origination and destination points and odometer readings for the return trip to the member's domicile.

The form could then be forwarded to the Executive Director and payment made based on the completed travel document in accordance with state travel regulations.

- 2.) The Executive Director, who receives all payments for license fee and also acts as the property manager, is not bonded. For adequate safeguarding of assets, we recommend that this position be bonded.
- 3.) According to a recent Internal Revenue Service ruling the per diem paid to Board members is subject to withholding of federal income tax, social security and medicare tax. It was noted that no amounts are being withheld from the board member's per diem. This could subject the Board to penalties and interest should this come to the attention of the Internal Revenue Service. We recommend that the Board immediately begin to withhold the proper taxes from the member's per diem.
- 4.) Some of the assets which we examined for existence did not have a state inventory tag in place. Most had evidence that they had been tagged but that the tag had fallen off. An attempt should be made to ensure that the state inventory tag is in place on all assets. Additionally, some of the assets are no longer in use. Those assets that are no longer being used should be properly disposed through the state property management agency.

We will review the status of these comments during our next audit engagement. We have already discussed these matters with Board management. We will be pleased to perform any additional study of these matters or to assist in implementation of procedures to rectify them.

Zahn, Kenney & Bresette

Metairie, Louisiana
July 24, 1998



M. J. "MIKE" FOSTER, JR.
GOVERNOR

State of Louisiana
STATE BOARD OF EXAMINERS OF
INTERIOR DESIGNERS

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KEVIN RILLY
SECRETARY OF
ECONOMIC DEVELOPMENT

August 5, 1998

Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

In response to the audit findings included in the management letter dated July 24, 1998 we offer the following Corrective Action Plan:

- 1.) We will immediately begin to require that the BA-12 be completed in detail prior to reimbursement of travel expenses. This will include all details provided for on the form. Further, the form will be reviewed for completeness and accuracy prior to reimbursement being made.
- 2.) We will have our Executive Director bonded for \$100,000, unless the cost of the bond is prohibitive.
- 3.) We will immediately begin to withhold federal income tax, social security and medicare tax from Board member's per diem.
- 4.) We will contact the Property Management Agency in an attempt to obtain replacement tags for those assets for which the tag fell off. If replacement tags are not available, we will seek their recommendation on how to alleviate this situation.

Additionally, we will seek the Property Management Agency's recommendation on the proper method of disposal for the assets we are no longer using.

We hope this plan is adequate to address the audit findings. If not, please notify us of additional action necessary.

Sincerely,

Dan Bouligny
Chairman