

**LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONS - PUBLIC SAFETY SERVICES
STATE OF LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 1996, and for the Years
Ended June 30, 1995 and 1995

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September 17, 1997

Independent Auditor's Report
on the Financial Statements

LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONS - PUBLIC SAFETY SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

We were engaged to audit the accompanying general purpose financial statements of the Louisiana State Board of Private Investigator Examiners, a component unit of the State of Louisiana, as of June 30, 1996, and for the years ended June 30, 1995 and 1994, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Louisiana State Board of Private Investigator Examiners.

The board did not include a balance for the General Long-Term Debt Account Group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded on the balance sheet is \$1,585. Furthermore, related party transactions were not disclosed in the notes to the financial statements as required by generally accepted accounting principles.

As explained in Exhibit A of this report, the board's accounting records contained major inadequacies. These inadequacies made it impractical to apply sufficient audit procedures to enable us to express an opinion on the fair presentation of the accompanying general purpose financial statements.

Because we were not able to apply sufficient auditing procedures to satisfy ourselves as to the amounts included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the general purpose financial statements.

LEGISLATIVE AUDITOR

LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
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STATE OF LOUISIANA

Audit Report, June 30, 1999

In accordance with Government Auditing Standards, we have also issued a report dated September 17, 1997, on our consideration of the board's internal control structure and a report dated September 17, 1997, on its compliance with laws and regulations.

Respectfully submitted,



Daniel G. Fols, CPA, CFC
Legislative Auditor

WDG:OSP:ads

(page 1)

LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
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STATE OF LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, June 30, 1996

	GOVERNMENTAL FUND - GENERAL FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$21,797		\$21,797
Account receivable	2,293		2,293
Other assets	1,160		1,160
Fixed assets		\$17,832	\$17,832
			<u>\$72,889</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$25,150</u>	<u>\$17,832</u>	<u>\$72,889</u>
LIABILITIES, EQUITY, AND OTHER CREDITS			
Liabilities:			
Accounts payable	\$204		\$204
Payroll deductions and withholdings payable	1,194		1,194
Other liabilities	9,127		9,127
Total Liabilities	<u>11,525</u>	<u>NONE</u>	<u>11,525</u>
Equity and Other Credits:			
Investment in general fund assets		\$17,832	\$17,832
Fund balance - unreserved - undesignated	24,100		24,100
Total Equity and Other Credits	<u>24,100</u>	<u>\$17,832</u>	<u>\$72,889</u>
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	<u>\$25,150</u>	<u>\$17,832</u>	<u>\$72,889</u>

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONS - PUBLIC SAFETY SERVICES
STATE OF LOUISIANA
GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Years Ended June 30, 1996 and 1995

	<u>JUNE 30, 1996</u>	<u>JUNE 30, 1995</u>
REVENUES		
Licenses, permits, and fees	\$238,264	\$232,783
Other - Schedules and materials	12,813	
Total revenues	<u>251,077</u>	<u>232,783</u>
EXPENDITURES		
General government:		
Personal services and related benefits	80,834	74,789
Operating services	59,704	104,217
Materials and supplies	12,498	27,003
Travel and other charges	44,447	33,383
Capital outlay	4,361	2,789
Professional services	82,361	
Total expenditures	<u>284,712</u>	<u>242,001</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,815)	(9,268)
FUND BALANCE AT BEGINNING OF YEAR	36,817	46,185
FUND BALANCE AT END OF YEAR	24,002	36,917

The accompanying notes are an integral part of this statement.

Unaudited

LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONS - PUBLIC SAFETY SERVICES
STATE OF LOUISIANA
GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget
(GAAP/Non-GAAP Basis) and Actual
For the Years Ended June 30, 1996 and 1995

	JUNE 30, 1996		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
REVENUES			
Revenues	\$248,284	\$256,267	\$7,983
EXPENDITURES			
Personal services and related benefits	92,200	80,834	11,366
Operating services	67,322	89,724	(2,402)
Materials and supplies	7,860	12,195	(4,335)
Travel and other charges	20,800	44,447	(18,647)
Capital outlay	1,300	4,261	(2,961)
Professional services	35,704	82,381	(46,677)
Total expenditures	225,386	283,842	(58,456)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,198	(12,815)	(28,013)
FUND BALANCE AT BEGINNING OF YEAR	26,817	26,817	NONE
FUND BALANCE AT END OF YEAR	\$42,015	\$14,002	(\$28,013)

The accompanying notes are an integral part of this statement.

Statement C

JUNE 30, 1968		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>\$234,001</u>	<u>\$233,703</u>	<u>\$298</u>
89,131	74,708	(14,423)
180,000	184,217	(4,137)
24,997	27,823	(2,826)
24,822	33,353	(8,531)
1,813	2,708	(8,195)
<u>220,748</u>	<u>243,817</u>	<u>(23,069)</u>
4,218	(6,208)	(10,426)
<u>40,100</u>	<u>40,100</u>	<u>None</u>
<u>\$264,851</u>	<u>\$280,817</u>	<u>(\$15,966)</u>

Unaudited

**LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONS - PUBLIC SAFETY SERVICES
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Two Years Ended June 30, 1990

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana State Board of Private Investigator Examiners is a component unit of the State of Louisiana created within the Louisiana Department of Public Safety and Corrections - Public Safety Services, as provided by Louisiana Revised Statutes (R.S.) 27:3521, et seq. The board is composed of seven members, appointed by the governor. Each member serves at the pleasure of the governor. The board is charged with the responsibility of examining applicants to be licensed as private investigators; administering a written examination for prospective licensees; adopting rules and regulations governing the practice of private investigations; and issuing, suspending, modifying, and revoking licenses. Operations of the board are funded with license, application, and examination fees.

In April 1964, 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. In June 1987, the GASB issued a revised codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government.

The Louisiana State Board of Private Investigator Examiners 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 of Louisiana. The accompanying statements present only transactions of the Louisiana State Board of Private Investigator Examiners, 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. The general purpose financial statements are issued by the Louisiana Division of Administration - Office of Statewide Reporting and Accounting Policy and are audited by the Louisiana Legislative Auditor.

B. FUND ACCOUNTING

The accounts of the Louisiana State Board of Private Investigator Examiners are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the financial statements are described as follows:

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Notes to the Financial Statements (Continued)

General Fund

The General Fund is the principal fund and is used to account for the general operations of the board. The various fees and charges due the board are accounted for in this fund. General operating expenditures are paid from this fund.

Account Group

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 using the following practices:

Revenues

Revenues from license fees and renewals are recognized in the period licenses are effective and in the respective anniversary periods. Revenues from applications and examinations are recognized when received in cash.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

D. GENERAL FIXED ASSETS

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

The changes in general fixed assets follow:

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Notes to the Financial Statements (Continued)

	Furniture and Equipment
Balance, July 1, 1994	\$30,712
Additions	2,789
Deletions	NONE
	<hr/>
Balance, June 30, 1995	\$33,471
	<hr/>
Balance, July 1, 1995	\$33,471
Additions	4,381
Deletions	NONE
	<hr/>
Balance, June 30, 1996	\$37,832
	<hr/>

E. ENCUMBRANCES

Encumbrance accounting is not employed by the board.

F. BUDGET PRACTICES

The budget for the fiscal year ended June 30, 1995, was adopted in August 1994 by a vote of the board. The budget for the fiscal year ended June 30, 1996, was adopted in December 1995 and submitted to the Department of Public Safety and Corrections in January 1996. Appropriations do not lapse at year-end. The board does not use encumbrance accounting. The Executive Secretary and Finance Committee Chairman prepare the annual proposed budget based on prior year's history and expected changes. A proposed budget is submitted to the board, and the board adopts a budget based on a vote of the majority of the board. Amendments are not made. Beginning fund and cash balances are not budgeted.

G. VACATION AND SICK LEAVE

Each employee earns between 12 and 24 days of vacation and sick leave per year, depending on length of service. Accrued vacation and sick pay were recorded in accordance with Rule 11.10. At June 30, 1996, employees of the board have accumulated and vested \$3,440 of employee leave benefits, which was computed in accordance with GASB Codification Section 680 and recorded as an obligation of the General Fund. At June 30, 1995, accumulated and vested leave benefits of \$1,777 were recorded as an obligation of the General Fund.

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Notes to the Financial Statements (Continued)

H. PENSION PLAN

Substantially all employees are members in the Louisiana State Employees Retirement System. In addition to the employee contribution withheld at 7.5 percent of gross salary, the state contributed an additional 11.0 percent and 12 percent of gross salary to the State Retirement System for fiscal years ended June 30, 1995 and 1996, respectively. Contributions to the system are funded through employee and employer contributions of \$3,083 and \$4,943, respectively, for the year ended June 30, 1995, and \$4,415 and \$7,305, respectively, for the year ended June 30, 1996. The total current year payroll of the agency (all types of wages) was \$58,342, and its current year payroll covered by the system was \$41,244 for the year ended June 30, 1996. Total payroll of the agency was \$64,950 and its payroll covered by the system was \$66,068 for the year ended June 30, 1995. Under present statutes, the agency does not guarantee any of the benefits granted by the retirement system.

I. LITIGATION AND CLAIMS

At June 30, 1995, and at June 30, 1996, the board is not involved in litigation or aware of claims that were not covered by insurance.

Claims and litigation costs of \$2,048 were incurred in the current year and recorded as an expenditure in the General Fund. No costs were incurred in the prior fiscal year.

J. LEASES

Operating Leases

<u>Nature of the Operating Leases</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>
Office space (month to month)	\$15,308	\$14,400	\$15,600	\$7,800
Copy machines	1,000			
Phone equipment	877	426		
Total	<u>\$17,185</u>	<u>\$14,826</u>	<u>\$15,600</u>	<u>\$7,800</u>

Rental expense for operating leases with scheduled rent increases is based on the relevant lease agreement except in those cases where a temporary rent reduction is used as an inducement to enter the lease. In these instances, rental expense is determined on either a

Unaudited

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Notes to the Financial Statements (Continued)

straight-line or interest basis over the term of the lease and rat in accordance with lease terms as required by GASB Statement 13.

K. CASH

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits, and certificates of deposit. Under state law, the Louisiana State Board of Private Investigator Examiners may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Furthermore, the board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal offices 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 Statement A, the Louisiana State Board of Private Investigator Examiners have cash and cash equivalents totaling \$31,757 at June 30, 1996. 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. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at June 30, 1996, are secured as follows:

	<u>Cash</u>
Carrying amount on balance sheet (includes \$100 petty cash fund)	<u>\$31,757</u>
Bank balances: insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	<u>\$31,857</u>

L. TOTAL COLUMNS ON STATEMENTS

The total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

LOUISIANA STATE BOARD OF
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Notes to the Financial Statements (Continued)

M. SUBSEQUENT EVENTS

Subsequent to the date of the fiscal year ended June 30, 1995, new board members were appointed by the governor. New board members are:

Linda Fabre Magni, Chairman
Louis A. Doucet
Bruce L. Childers
Mallory J. Lassard
Joseph A. Oster, Vice Chairman
George B. Fleete
Julius Sambel

There are no other material subsequent events.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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



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September 17, 1997

Independent Auditor's Report on Internal Control Structure Based
Safely on an Audit of the General Purpose Financial Statements

LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONS - PUBLIC SAFETY SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

We were engaged to audit the general purpose financial statements of the Louisiana State Board of Private Investigator Examiners, a component unit of the State of Louisiana, as of June 30, 1996, and for the years ended June 30, 1995 and 1994, and have issued our report thereon dated September 17, 1997. Our report dated September 17, 1997, stated that because we were not able to apply sufficient auditing procedures to satisfy ourselves as to the amounts included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the general purpose financial statements.

Our audit was to have been conducted in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. However, because of the control weaknesses noted in the exhibit, we were not able to apply the foregoing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Louisiana State Board of Private Investigator Examiners is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that conditions may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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Internal Control Report

September 17, 1997

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In planning and performing our engagement to audit the general purpose financial statements of the Louisiana State Board of Private Investigator Examiners, as of June 30, 1996, and for the years ended June 30, 1995 and 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

In our consideration of the internal control structure, we noted that the size of the board's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial, which we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The results of our tests disclosed the following matters that we consider to be reportable conditions.

Accounting Control Weaknesses

The Louisiana State Board of Private Investigator Examiners did not provide internal controls or maintain accurate and complete accounting records during the period under examination. A proper internal control structure requires that accurate and complete financial records be maintained that (1) provide evidence that the commission has fulfilled its stewardship responsibilities, (2) properly reflect and account for the receipt and disbursement of funds, (3) properly manage and safeguard assets, and (4) provide for the preparation of financial statements in accordance with generally accepted accounting principles. For the period under examination, we identified the following deficiencies in the internal control structure and accounting records.

Cash

The board did not perform monthly bank reconciliations for its Special Account, which is an imprest account that is used for miscellaneous disbursements.

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Revenues

The board did not maintain adequate records on licenses, renewals, and identification cards issued; therefore, there were no assurances that the amounts collected for the fees were equal to the amounts deposited, which totaled \$427,000 during the two years ended June 30, 1996. The board did not use prenumbered licenses.

Cash Disbursements

1. The board paid medical expenses of \$1,021 for a part-time employee, who also worked for the former Finance Chairman's personal business, without certifying that the board was exclusively liable for the expenses. Furthermore, the board was not responsible for payment of the claim because the board maintains insurance through the Office of Risk Management and the claim should have been filed with the Office of Risk Management.
2. The board did not maintain a sufficient segregation of duties by allowing the former Finance Chairman to initiate and approve travel advances for himself. Audit procedures revealed that 27 of 43 travel advances to this board member were first initiated by him, and then he signed the check.
3. The board did not maintain an adequate control system for monitoring disbursements. Although board policy required the signatures of two board members when a disbursement was over \$500, there were two instances in which the former Finance Chairman split the disbursements, thereby circumventing this requirement. One disbursement was a travel advance to himself for \$750, and another disbursement of \$857 was for an invoice related to the medical expenses discussed previously in item 1. of this section. Each of these disbursements was paid on two consecutive checks, thereby circumventing the requirement of two signatures for checks over \$500.
4. The board did not require sufficient documentation of investigative expenditures. The invoices submitted for these professional services included only totals for billed hours, mileage, meals, and other expenses. No daily detail of the work performed and no receipts for reimbursement expenses were included with the invoices. The board also did not perform adequate review and approval of these expenditures. At least

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five payments were made before the invoice date and at least one payment was made before approval of the invoice.

5. The board did not ensure that all time sheets and leave slips are reviewed and approved by an appropriate level of management. Exceptions were noted in 7 of 24 payroll disbursements as follows: four instances of the time sheet having no evidence of approval; one instance of a leave slip not signed by a supervisor; one instance of an employee approving his own time sheet; and one instance of no time sheet at all.

Budget

The board did not adequately monitor and control expenditures for the two years ended June 30, 1996. According to board policy described in the Annual Fiscal Report, amendments are not made to the budget and beginning fund balances are not budgeted. The board exceeded budgeted expenditures for fiscal years 1995 and 1996, and experienced operating losses of \$8,205 and \$12,816, respectively.

Financial Statement Preparation

The board did not have adequate procedures established for the preparation of the annual financial statements. The following deficiencies were noted:

1. The board did not disclose certain transactions that should be considered related party transactions, as required by generally accepted accounting principles. Our examination revealed that the board:
 - Contracted for accounting services with a board member's personal employee
 - Employed, on a part-time basis, a board member's personal employee
 - Regularly used the services of a private investigator who performed personal contract work for the board's Investigative Officer

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2. Various supporting schedules for accounts receivable and accounts payable accounts were not available for review for June 30, 1995, and for June 30, 1996.
3. Detailed listings of movable property reported a balance of \$25,276 at June 30, 1995, but the financial statements reported a balance of \$37,632. There was no identification of the difference of \$12,354.
4. The financial statements for fiscal year ended June 30, 1995, and for June 30, 1996, reported the long-term portion of employee leave benefits in the General Fund, instead of in the General Long-Term Debt Account Group. The amounts reported were \$1,777 and \$3,440, respectively. Furthermore, the June 30, 1996, balance was not calculated in accordance with the board's policy, which does not allow for the payment of sick leave upon termination. The balance is overstated by \$1,604 at June 30, 1996.
5. Travel advances to a board member of \$661 were not reflected on the balance sheet at June 30, 1996.
6. The expenditure budget reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for fiscal year ended June 30, 1996, was \$4,663 more than the expenditure budget adopted by the board.

Because the board does not provide proper internal controls or maintain complete accounting records, errors or irregularities may occur and not be detected in a timely manner. The board should establish written internal control policies and procedures, including proper segregation of duties, to ensure that assets are safeguarded and that if errors occur, they are detected in a timely manner. In a letter dated July 28, 1997, Mr. Julius Bombet, Finance Committee Chairman of the Board, concurred with the finding and recommendation for all areas except for Cash Disbursements point number 1, relating to a claim for medical expenses and point number 3, relating to split disbursements. Mr. Bombet outlined corrective actions to be taken or already implemented (Exhibit C).

Additional Comments: In management's response, Mr. Bombet deferred certain finding points to the former Finance Committee Chairman, Mr. Joseph Oster. In regard to point 1, medical expenses, under the section titled, "Cash Disbursements," the former Finance Committee Chairman stated that "An Employee Report of Occupational Injury

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was filed with The Office of Risk Management by the Executive Secretary of the Board. After almost seven (7) months, the hospital bills had not been paid. The auditor found no evidence at the board or at the Office of Risk Management that this claim was over filed.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the matters relating to inadequate segregation of duties and accounting control weaknesses in this report, and the matters relating to improper travel expenditures and the lack of contracts and improper advances for investigative services, as noted in Exhibit B, are material weaknesses as defined above.

These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the board, as of June 30, 1995, and for the years ended June 30, 1994 and 1993.

This report is intended for the information and use of the board and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



David G. Kyle, CPA, CFE
Legislative Auditor

WDG:DSP:ade

000001



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9007

DAVID S. EYLER, CPA, CMA, CIA
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September 17, 1997

Independent Auditor's Report on Compliance With Laws and
Regulations Applicable to the General Purpose Financial Statements

LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONS - PUBLIC SAFETY SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

We were engaged to audit the general purpose financial statements of the Louisiana State Board of Private Investigator Examiners, a component unit of the State of Louisiana, as of June 30, 1996, and for the years ended June 30, 1995 and 1995, and have issued our report thereon dated September 17, 1997. Our report dated September 17, 1997, stated that because we were not able to apply sufficient auditing procedures to satisfy ourselves as to the amounts included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the general purpose financial statements.

We were unable to audit the financial statements of the Louisiana State Board of Private Investigator Examiners because of the deficiencies in internal controls as discussed in Exhibit A of this report. Our audit was to have been conducted in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Louisiana State Board of Private Investigator Examiners is the responsibility of the board's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the board's compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from these failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have not been corrected in the board's financial statements.

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Improper Travel Expenditures

The Louisiana State Board of Private Investigator Examiners incurred travel expenditures that are considered improper and are not allowed by the state travel regulations, Policy and Procedure Memorandum 49 (PPM 49). PPM 49 applies to this board and allows reimbursement for actual expenses for state officers where the expense is not extravagant and is reasonable in relation to the purpose of the travel. Meals for guests are not allowed unless prior approval has been obtained from the Commissioner of Administration, which the board did not request, and reimbursement for alcohol is not permitted. Furthermore, there were occasions when more than a quorum, four members, were present for reimbursed meals, which may have violated the Open Meetings Law. A quorum of board members may attend social gatherings without violating the law, but the board should not reimburse the cost of these social functions.

Questionable expenditures included:

- Expense reports with no documentation of time traveled and/or no daily detail of meals and lodging
- Alcoholic beverage charges in addition to meal receipts
- Numerous meals for additional people other than the traveler
- Room service meals exceeding state travel guidelines by as much as 200 percent
- Numerous meals exceeding state travel guidelines by more than 40 percent, with some in excess of 900 percent
- Numerous meals that would not be allowed because of the time of travel or meals while in the domicile with no travel at all
- Numerous group meals for board staff and guests
- A pay movie on a lodging receipt
- Long-distance telephone calls exceeding state travel guidelines by up to 517 percent
- Lodging exceeding state travel guidelines by more than 40 percent

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- A "lump-sum daily" of \$100 reimbursed for meals when receipts totaling only \$122 were submitted
- Cellular phone bills for a gross amount without documentation that individual calls were board related

The board failed to establish and enforce an adequate travel policy with controls to ensure that the board reimburses only well-documented and reasonable travel expenditures, in accordance with state travel regulations. Over an 18-month period, the former Finance Chairman submitted 290 stock receipts for meals. These stock receipts did not contain the name of the restaurant, location, time of day, or type of meal. Without proper documentation, the legitimacy of the expenditures cannot be determined. The former Finance Chairman approved 90 of his own 120 travel expense reports during the same 18-month period. He also often initiated and approved his own travel advances. Because the former Finance Chairman approved his own travel expense reports, he was able to claim expenses for as many as 10 days in excess of the number of days allowed by statute for 12 of 18 months. Louisiana Revised Statute 37:3504(C)(1) allows for reimbursement of expenses incurred on behalf of the board up to only 10 days in any month for each board member.

Following are some of the special meals and/or expenses that were noted during the review of travel expenditures. Each of the following payments was made to an individual board member:

1. The board paid \$691.79 for a meal at Ruth's Chris Steakhouse in Baton Rouge, Louisiana, on December 11, 1995. The payment included reimbursement for alcohol and for guests. The travel expense form stated "Staff, board members, and guests Christmas dinner."
2. The board paid \$311.27 for a meal at Mulate's in Baton Rouge, Louisiana, on January 30, 1996. The payment included reimbursement for alcohol and for guests. The travel expense form stated that the dinner was in honor of an employee that was resigning.
3. The board paid \$109.29 for a meal at Phipps's Porch in Atlanta, Georgia, on May 30, 1995. The travel expense form had no indication of who or how many were in attendance.

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4. The board paid \$63.06 for a meal at Magnolia Cafe in Baton Rouge, Louisiana, on May 18, 1995. The receipt indicated that 5 people were present, but does not indicate who they were.
5. The board paid \$31.46 for a meal and alcoholic beverages at Hooter's in Atlanta, Georgia, on May 27, 1995. The receipt indicated that 5 people were present, but does not indicate who they were.
6. The board paid \$158.66 for a meal at The Abbey in Atlanta, Georgia, on May 27, 1995. The travel expense form had no indication of who or how many were in attendance.
7. The board paid \$88.00 for a meal and alcoholic beverages at The Improvisation Comedy Club in Washington, DC, on January 3, 1995 (the date on this invoice appears incorrect, but was not questioned before payment). The receipt indicated that 3 people were present, but does not indicate who they were.
8. The board paid \$175.16 for a meal at Mike Anderson's in Baton Rouge, Louisiana, on November 27, 1995. The travel records indicated that 7 people were present: 3 board members and 4 guests.
9. The board paid \$118.24 for a meal at Clemenco's in Baton Rouge, Louisiana, on November 29, 1995. The receipt indicated that 8 people were present, but does not indicate who they were.
10. The board paid \$72.74 for a meal at the Trail Dust in Englewood, Colorado, on November 3, 1995. The travel expense form had no indication of who or how many were in attendance.
11. The board paid \$78.38 for a meal at the Ristorante Casa Luna in Englewood, Colorado, on November 2, 1995. The travel expense form had no indication of who or how many were in attendance.
12. The board paid \$64.60 for a meal at Mansueti's in Baton Rouge, Louisiana, on November 10, 1995. The travel expense form had no indication of who or how many were in attendance.
13. The board paid \$266.25 to various grocery stores in Baton Rouge, Louisiana, on November 12, 1995, for a "board party."

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14. The board paid \$78.26 for a meal at Rudy's Chris Steakhouse in Lafayette, Louisiana, on March 29, 1995. The travel expense form indicates that 5 board members/employees were present. However, one of these was in her domicile and was not eligible for meal reimbursement.
15. The board paid \$61.50 for a meal at the Radisson Patio Grille in Baton Rouge, Louisiana, on May 21, 1995. The travel expense form indicates that 5 people were present. At least one of those present was within his domicile and was not eligible for meal reimbursement, and at least one guest was present.
16. The board paid \$135.07 for a meal in Baton Rouge, Louisiana, on May 21, 1995. The travel expense form indicates that 5 people were present. At least one of those present was within his domicile and was not eligible for meal reimbursement, and at least one guest was present.
17. The board paid \$87.34 for a meal at the Outback Steakhouse in Gulfport, Mississippi, on March 8, 1995. The travel expense form indicates that 4 people were present, and 3 of those were guests.
18. The board paid \$110.74 for a meal at the Fisherman's Harbor Seafood Restaurant in Biloxi, Mississippi, on March 8, 1995. The travel expense form indicates that 4 board members were present.
19. The board paid \$314.01 for a meal at Mary Mahoney's Restaurant in Biloxi, Mississippi, on March 8, 1995. The travel expense form indicates that 8 people were present: 5 board members and 3 wives.
20. The board paid \$252.19 for a meal at Mike Anderson's in Baton Rouge, Louisiana, on February 12, 1995. The travel expense form indicates that 8 people were present: 4 board members, 2 wives, and 2 other guests.
21. The board paid \$126.04 for a meal at On the Border Cafe in Baton Rouge, Louisiana, on February 13, 1995. The travel expense form indicates that 11 people were present: 4 board members, 2 wives, and 5 other guests.
22. The board paid \$177.50 for a meal at Lone Star Steakhouse in Baton Rouge, Louisiana, on July 17, 1995. The travel expense form indicates that 7 people were present: 4 board members and 3 guests.

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23. The board paid \$293.81 for a meal at the Outback Steakhouse in Baton Rouge, Louisiana, on May 21, 1995. The travel expense form indicates that 13 people were present: 5 board members, 3 wives, and 5 other guests.

The Louisiana State Board of Private Investigator Examiners should implement policies and procedures that will ensure that travel expenditures are necessary, reasonable, and directly related to board business. Documentation should include evidence that the board member or employee is outside the domicile. Furthermore, each board member or employee should submit his/her own travel reimbursement claims to allow for proper recordkeeping and control over the specific items that are reimbursed. The board should discontinue the payment of meals for guests unless the required approvals are obtained from the Commissioner of Administration and a "business need" has been documented for each special meal. In a letter dated July 28, 1997, Mr. Julius Garber, Finance Committee Chairman, concurred with the finding and recommendation and outlined corrective actions. He also referenced an additional response prepared by the former Finance Committee Chairman, Mr. Joseph Ozer. The former Finance Committee Chairman stated that (1) Louisiana Revised Statute 37:2504(A) allows reimbursement for actual expenses incurred by board members; (2) items 1, 2, 15, and 18, are reimbursements for actual expenses incurred by board members as allowed by the statute; (3) stock receipts are used by hundreds of restaurants in the United States; (4) approvals of travel expense reports were not performed because of the location of the Chairman of the Board, and (5) excess travel days were required because no one else was available to administer the daily activities of the board. In addition, he noted that he, the former Finance Committee Chairman, was also appointed as the Investigatory Officer for the board (Exhibit C).

Additional Comments: Board management provided no additional documentation to support its response that various travel expenses discussed in the finding were paid in accordance with state travel regulations. In regard to management's response item no. (1), PPM 49 applies to this board and allows reimbursement for actual expenses for state officers when the expense is not extravagant and is reasonable in relation to the purpose of the travel. For item no. (2), many of the expenditures were not reasonable or in accordance with travel regulations. In regard to item no. (3), the stock receipts did not provide sufficient information to determine compliance with PPM 49. In regard to item no. (4), while approvals may be difficult to obtain, the lack of approvals greatly increases the risk of errors and noncompliance as evidenced by this finding. In regard to item no. (5), the statutes were violated for excess travel days.

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Lack of Contracts and Improper Advances for Investigative Services

The Louisiana State Board of Private Investigator Examiners did not have written contracts for investigative services and it improperly advanced monies to the investigators. Louisiana Revised Statutes 38:1803-1826 contain the requirements for professional services, including the requirement that the Office of Contractual Review approve all contracts. The Louisiana State Constitution of 1974, Article 7, Section 14(A) states in part that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private.

The board did not have written contracts for investigative services, which amounted to over \$48,500 in expenditures for the audit period, with one firm receiving over \$38,000. The board cannot substantiate that payments to investigators were made for specific services requested without contracts to establish the scope of services to be performed, the expected product, compensation rates, reimbursable expenses, and remedies for default and termination of the agreement. Furthermore, actual travel expenses were paid to the investigators instead of the state travel regulation rates, as required by the Office of Contractual Review. Also, the board advanced as much as \$3,000 at one time to investigators during the two years ended June 30, 1996. The advances were referred to as retainers, but constituted loans of public funds since payment was made before services were rendered.

The Louisiana State Board of Private Investigator Examiners should contract for investigative services through the Office of Contractual Review. If travel expenses are included as reimbursable expenses in the contract, the travel expenses should be paid in accordance with state travel regulation rates. Also, no advances should be paid to investigators before work performance and billing by the investigator. Management of the board concurred with the finding and recommendation and outlined corrective actions to be taken or already implemented (Exhibit C).

The results of our tests also disclosed the following instance of noncompliance that, although not material to the financial statements, is required to be reported herein under Government Auditing Standards:

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Movable Property Acquisitions Not Reported Timely

The Louisiana State Board of Private Investigator Examiners did not report movable property acquisitions to the Louisiana Property Assistance Agency (LPAAG) within 45 days of receipt as required by Louisiana Administrative Code 34:181.307.A. The LPAAG maintains the master inventory listing. During the two years ended June 30, 1996, the board had eight acquisitions ranging in value from \$270 to \$3,316. Seven of those items were not reported to the LPAAG until 21 to 241 days after receipt. Failure to report the acquisitions in a timely manner violates state regulations and increases the risk that the master inventory listing will not be properly updated.

The Louisiana State Board of Private Investigator Examiners should implement adequate procedures to ensure that acquisitions are reported to LPAAG within 45 days of receipt. Management of the board concurred with the finding and recommendation (Exhibit C).

We considered these instances of noncompliance in forming our opinion on whether the Louisiana State Board of Private Investigator Examiners' general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles. This report affects our report dated September 17, 1997, on those financial statements.

This report is intended for the information and use of the board and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

WCO:D&P-406

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**Management's Response
to Reportable Conditions**



LOUISIANA STATE BOARD OF PRIVATE INVESTIGATOR EXAMINERS

2051 Silverlake Drive
Suite 490
Baton Rouge, LA 70805

W. J. "BOB" FOSTER, JR.
Chairman

JOHN W. BRIDEN
Chairman

JOSEPH L. BEYER
Vice Chairman

DANIEL P. STARR
General Counsel

Telephone: (225) 757-5711
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MAURICE J. BRIDEN
Training Chairman

BRUCE L. BRIDEN
Finance Chairman

JOHN ROBERT, III
Records Chairman

STORME B. BRIDEN
Training Officer

July 28, 1997

Dr. Dan Kyle
Legislative Auditor
Attention: Wesley Good
1600 North Third Street
Baton Rouge, LA 70804-9377

**Re: Audit of the Louisiana State Board of Private Investigator Examiners
Audit Period: July, 1994 - June, 1995**

Dear Dr. Kyle:

I am currently the Louisiana State Board of Private Investigator Examiners Finance Committee Chairman and am making this response to your audit report on behalf of the Board. I was not the Finance Committee Chairman during the period of this audit.

On August 28, 1996, I became the Finance Committee Chairman. Several measures were put into effect during the 90 days following my appointment to correct what I saw as inequities in our accounting procedures. Please see Addendum A, my letter of August 28, 1997 to the Chairman of the Board outlining the strategies I planned to implement as Finance Committee Chairman. I will include below the actions that were taken in order to bring our Board into line with acceptable accounting procedures and will follow the Legislative Auditor Report in responding to the various areas pointed out in the report.

Cash

After taking over as Finance Committee Chairman, the Special Account was reduced from a \$2,000 maximum balance to a maximum balance of \$500. My intention for this action was to be assured that the account was replenished and balanced on a monthly basis, thus correcting the problems of funds not being accounted for in the month they were disbursed.

Revenue

We acknowledge the Legislative Auditor Report is pointing out to us inadequacy in controls on license renewals and identification cards. Steps have been taken to assure that this problem is corrected. Licenses and identification cards will be pre-numbered in order to insure more adequate controls.

Cash Disbursements

1. See Addendum B, the response of former Finance Committee Chairman, Joseph Oster.
2. See Addendum B, the response of former Finance Committee Chairman, Joseph Oster.
3. See Addendum B, the response of former Finance Committee Chairman, Joseph Oster.
4. See Addendum C, a copy of my memo of December 15, 1990 establishing more stringent procedures to control the investigative expenditures.
5. We acknowledge the Legislative Auditor's concern and have established better controls for review and approval at the appropriate level of management.

Budget

See Addendum D, response from our Certified Public Accountant.

Financial Statement Preparation

See Addendum D, response from our Certified Public Accountant.

Improper Travel Expenditures

See Addendum E, my memo of December 2, 1990. Additionally, at the Board meeting held on September 13, 1990, all members of the Board were provided with a copy of the "Louisiana Travel Guide". The Board acknowledges that more adequate procedures are required and those procedures are being implemented.

See Addendum B, the response from the former Finance Committee Chairman, Joseph Oster, explaining certain items pointed out under this category.

Dr. Dan Kyle
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Lack of Contracts and Improper Advances for Investigative Services

On December 12, 1997, the Louisiana State Board of Private Investigator Examiners entered into a contract for investigative services. A strict budget was placed on contract investigations. The Board acknowledges that adequate procedures were not followed in the past and has endeavored to comply with the recommendations as outlined in this section prior to the time of the audit.

Also, see Addendum C, my memo of December 15, 1997, which addresses some of the problems mentioned in the report.

Meritable Property Acquisitions Not Reported Timely

The Board recognizes the shortcomings of reporting pointed out and is implementing procedures to assure timely reporting in the future.

I would like to take this opportunity to thank the Legislative Auditors Office for the courtesy extended to us during this audit. We will endeavor to bring into line our accounting practices and expenditures in accordance with acceptable accounting procedures.

Very truly yours,



James Beckett, CLU, CFE
Finance Committee Chairman

jjd

IMPROPER TRAVEL EXPENDITURES

The heading of the audit entitled "Improper Travel Expenditures" is misleading and improper.

Pursuant to R.S. 37:1504, Paragraph G, Subparagraphs 1 and 2, the Board Members were authorized to be reimbursed upon approval of the Board for their actual expenses, including the following travel, incidental, and clerical expenses.

R.S. 37:1504 - G (1982)

- G. (1) No member of the board shall receive a per diem but shall be reimbursed for actual expenses incurred while attending a meeting of the board or any of its committees and for the time spent on behalf of the board on official business, not to exceed ten days in any month.
- (2) Each member shall be reimbursed, upon approval of the board as evidenced by voucher, for all necessary travel, incidental, and clerical expenses incurred in carrying out the provisions of this Chapter.

Item #1: Six (6) Board Members who were not domiciled in Baton Rouge, Louisiana, were entitled to be reimbursed their actual expenses on December 11, 1985, pursuant to R.S. 37:1504 - G (1982).

Item #2: Board Members, who were not domiciled in Baton Rouge, Louisiana, were entitled to be reimbursed for their actual expenses on January 30, 1986, pursuant to R.S. 37:1504 - G (1982).

Item #3: Two (2) Board Members and the Investigator for the Board, who are not domiciled in Baton Rouge, Louisiana, were entitled to be reimbursed for their actual expenses on May 20, 1986. Since the hotel put all the meals on one check and the two Board Members and the Board Investigator were entitled to be reimbursed for actual expenses, the other person was a State Police Officer, who was investigating a criminal matter. Since all meals were on the check, the check was paid by a single Board Member. The other Board Member and the Board Investigator did not submit a check to be reimbursed for these meals.

Item #18: Board Members, including the Board Investigator, were entitled to be reimbursed for actual expenses incurred. The Restaurant placed all meal charges on one (1) check. The one (1) check was paid by a single Board Member. No other Board Member or the Board Investigator submitted vouchers to be reimbursed for this meal. With regard to the one Board Member, who is alleged to be within his domicile, please refer to R.S. 37:3504 - & (140), R.S. 37:3504 - G (187) does not state anything about domicile.

The receipts which were referred to in the audit as "stock receipts" are used by hundreds, hundreds, and hundreds of restaurants in the State of Louisiana and other states. A few of these restaurants that use the so-called "stock receipts" are:

- 01 Bamboo Gardens - Baton Rouge, LA
- 01 Indian Inn Cafe - Folsom, LA
- 01 Drew-Bachers - Baton Rouge, LA
- 01 Bamboo House Restaurant - Baton Rouge, LA
- 01 Jay's Bar & D - Baton Rouge, LA
- 01 Best Western Hotel & Restaurant - Monroehere, LA
- 01 L.A. Pines Cafe - Slidell, LA
- 01 Western Skatka - Natchez, Mississippi
- 01 China Inn - Bossier City, LA
- 001 Tiger Truck Stop - Moberly, LA
- 011 Benier's Bar/BBQ - Lake Charles, LA
- 021 Courthouse Cafe - Covington, LA

The Finance Committee Chairman did not approve .90 of .120 hours of travel on his Travel Expense Report. Under the Certificate of Head of Budget Unit, some of the Finance Committee Chairman's Travel Expense Reports were approved by the Executive Secretary, Thomas Michael Jones, Donald Galliot, Gary Hyatt, Chairman, and Julius Bembel, Finance Committee Chairman. Some of the Travel Expense Reports were not countersigned by the Chairman of the Board because the Chairman of the Board, Gary Hyatt, was in Lake Charles, Louisiana, and not available in Baton Rouge, Louisiana. Also, the Board did not have an Executive Secretary at the time some of the Travel Expense Reports were filed by the Finance Committee Chairman and other Board Members.

CASH DISBURSMENTS:

Item #1: The Board paid medical expenses because the Office of Risk Management told someone that the medical expenses of the part-time employee was not covered. The Board did not have what it (Board) thought was insurance coverage for Board Members, Staff, full-time and part-time. The accident occurred on October 3, 1995. An Employee Report of Occupational Injury was filed with The Office of Risk Management by the Executive Secretary of the Board. After almost seven (7) months, the hospital bills had not been paid. On May 14, 1996, the Board paid the hospital bill with Checks #3106 and #3107. Both checks were made payable to The Glenwood Regional Medical Center. The reason two (2) checks were issued to The Glenwood Regional Medical Center was after almost seven (7) months, the hospital bill had to be paid and there was no other Board Member available to countersign the check.

Item #2: This item has been corrected.

Item #3: With regard to the Seven Hundred Fifty Dollars (\$750.00) paid in two checks, this was not done to circumvent the requirement. It was not known at the time what the total expenses would be. If the total of Seven Hundred Fifty Dollars (\$750.00) was not needed, the Two Hundred Fifty Dollars (\$250.00) would be returned and voided. The Eight Hundred Fifty-Seven Dollars (\$857.00) has been explained under Item #3.

Items # 3, 5, 6, 7, 10, 11, 18, 19, 20, 21 & 22:

These items were listed on the Travel Expense Reports for other Board Members and will be accounted for by them accordingly.

With regard to the approval of Expense Accounts for the Finance Committee Chairman, all expense vouchers were to be approved by either the Finance Committee Chairman or the Chairman or Vice-Chairman of the Board.

Response to Budget and Financial Statement Preparation deficiencies items noted by the Louisiana auditor:

Budget

We concur to the findings of your report. The Board did exceed budgeted expenditures for fiscal years 1991 and 1995 and did not adequately monitor and control expenditures during those periods. The Board has established policies and implemented procedures for monitoring and controlling expenditures in the future so that operating losses will not be incurred.

Financial Statement Preparation

We concur to the findings of your report and we will address the specific deficiencies noted as follows:

1. Any and all contracts with and services provided by employees of board members will be disclosed in the financial statements as related party transactions.
2. Supporting schedules for accounts receivable, accounts payable and accrued items will be attached as an addendum to future financial statements.
3. We will review the detailed listings of movable property and identify differences between such detailed listings and the balances reported in the financial statements.
4. Financial Statements for years ended June 30, 1997 and thereafter will report the long-term portion of employee leave benefits in the General Long-Term Debt Account Group and, further, such amounts will not include any accrual of sick leave upon termination, since the Board's policy does not allow for such.
5. Travel advances to Board members, if any, will be reported on the balance sheet in future years, to the extent such reimbursements have not been accounted for and are not offset by allowable expenses incurred as of the fiscal year end.
6. The Finance Chairman will submit any budget changes or revisions to the Board for approval and adoption.

With regard to the Finance Chairman's expenses for days in excess of the number of days allowed by Statute during a 12 to 18 month period; there was no-one else available to administer the affairs of the Board. And, hence, the Finance Committee Chairman, who was also the Investigatory Officer, had to administer the affairs of the Board, because there was no Executive Secretary employed by the Board to administer the daily activities of the Board. The Board had only one part-time worker and a student worker, during most of the time the Board has been in existence. In the year 1998, the Board received 158 complaints. In October, 1998, the Finance Committee Chairman was also appointed the Investigatory Officer. Between October and December, 1998, the Finance Committee Chairman, as the Investigatory Officer, handled about fifty-six (56), or more, of the complaints. In the year, 1999, the Finance Committee Chairman and Investigatory Officer handled sixty-five (65) complaints. In the year, 1996, the Finance Committee Chairman and Investigatory Officer handled eighty-four (84) complaints and in the current year, from January 1, 1997 through July 31, 1997, the Finance Committee Chairman and Investigatory Officer has handled over fifty-two (52) complaints. During the Audit Period, the Finance Committee Chairman and Investigatory Officer handled over one hundred fifty (150) complaints, which accounts for the excess travel. In addition, the Finance Committee Chairman also had to perform those duties as Finance Committee Chairman, which also required time, etc.

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana State Board of
Private Investigator Examiners
Department of Public Safety and
Corrections - Public Safety Services
State of Louisiana
Baton Rouge, Louisiana

November 5, 1997



Financial and Compliance Audit Division

*Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor*

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LEGISLATIVE AUDITOR

Daniel S. Kyle, Ph.D., CPA, CFE

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**LOUISIANA STATE BOARD OF
PRIVATE INVESTIGATOR EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONS - PUBLIC SAFETY SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 1995, and for the Years
Ended June 30, 1995 and 1995**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

November 5, 1997