

EFFECT: Weakness in the internal control structure which could allow defalcations to occur and not be "caught" in the normal processing of accounting data.

RECOMMENDATION: Assign the duty of preparing the bank reconciliation monthly to the fee accountant currently under contract. The bank statement should be presented unopened to the accountant each month. The statement should be reconciled to the general ledger and journal entries prepared as necessary. All such journal entries should be explained to and approved by the executive director. This approval should be in the form of his signature and date on the journal entry sheet which should then be retained. All journal entries should be approved by the executive director in this manner and maintained as part of the Board's permanent records.

- 5.1 **CRITICAL:** The Board members should be kept informed of the Board's activities during the year. This is usually achieved in the form of periodic (monthly or quarterly) meetings.

CONDITION: The Board met only once during fiscal year ended June 30, 1996 and twice during fiscal year ended June 30, 1997. The three meetings held during the second year were all held within a five month period.

CAUSE: During the first of these fiscal years there was confusion because a new governor had taken office and did not make appointments to the Board immediately. During the other year the Board did not feel it necessary to meet more often.

EFFECT: It is difficult for the members to be informed of the Board's current activities and to provide guidance to the staff members.

RECOMMENDATION: The Board should attempt to schedule regular meetings (at least quarterly) throughout the year.

Additionally, each member should receive a copy of the balance sheet and the operating statement monthly. Included with the financial statements should be a listing of all checks written during the month, including check number, date, payee and amount. At least quarterly, this information should include a comparison of current fiscal year operations to the approved budget.

We will review the status of these matters 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.

John A. Murray, Jr. President

Metairie, Louisiana
September 18, 1997

EFFECT: The executive director's time is being utilized inefficiently.

RECOMMENDATION: The Board should consider changing its policy regarding approval of invoices and the signatures required on checks as follows:

- a.) Require only one signature on checks in amounts up to \$1,000. This would allow more routine Board business to be carried on without the inefficiencies which occur by having to acquire two signatures. On checks in excess of \$1,000 two signatures would still be required.
- b.) The approval of the invoice recommended in Item 2 above should be done by someone other than the person(s) who will be signing the checks. Possibly the executive director could be responsible for approving all invoices and the treasurer of the board could be the primary check signer. Or vice-versa, the Treasurer could approve all invoices and the executive director could be the check signer. This would separate the authorization of the transaction (approval of the invoice) from the safeguarding of the asset (signing of the check).
- c.) If the Treasurer is to approve the invoices, the original invoices could be accumulated and mailed weekly for approval. The invoice could be stamped, as recommended above, before mailing to the treasurer. The treasurer could then initial and date the invoice as approved the expenditures. The approved invoices would then be returned to the board office by mail for preparation of the checks. The checks would then be signed and the invoices canceled by the executive director after his review of the invoice for proper approval.

Or, if the treasurer is to sign the checks, the executive director would approve the invoices. The checks would then be prepared. The unsigned check(s), with the approved invoice(s) attached, could then be mailed to the treasurer for signing. The Treasurer would be responsible for reviewing the invoice for approval and signing the check. The checks, with the invoices still attached, would then be returned to the board's office. The invoice would be canceled and the check mailed to the vendor.

- 4.) **CRITERIA:** Good internal control would require that the reconciliation of the bank account be performed monthly by a person not involved in the accounting service.

CONDITION: Currently, the person posting the transactions to the accounting records is also responsible for the monthly bank reconciliation.

CAUSE: Lack of adequate segregation of duties caused by the limited size of the Board's staff.

- c.) Signature of executive director as a board member approving payment should be affixed prior to payment being made.
- d.) Forms should be numbered with check number and payment date to avoid duplicate payments.

2.) **SKINELLA:** A good internal control structure requires the authorization of transactions. This would include approval of invoices prior to payment being made and the cancellation of invoices to avoid duplicate payment.

CONDITION: Twelve of twenty-eight invoices tested contain no evidence of approval. Further, twenty-two of twenty-eight invoices tested have not been properly cancelled.

CAUSE: The Board has no written policy regarding the proper approval and cancellation of invoices.

EFFECT: There is no way to ensure that expenditures are properly authorized and to safeguard that invoices are not submitted for duplicate payment.

RECOMMENDATION: The Board should establish written policies regarding the proper authorization and cancellation of invoices as follows:

- a.) The Board should acquire a rubber stamp which reads:
Payment approved by _____ Date _____
Payment made by check # _____ Date _____
- b.) Each invoice should be so stamped. The person authorized to approve payment should initial and date the invoice to show such approval.
- c.) The person signing the check should fill in the check number and date to cancel the invoice to avoid duplicate payment.

3.) **SKINELLA:** Good internal control requires segregation of duties between the authorizing of transactions, the recording of transactions and the safeguarding of assets. However, underlying effective controls is the idea that the cost of a control should not exceed the benefit obtained from it.

CONDITION: The executive director must bring each check to the physical location of two different board members for signature. Although this does act as a safeguard over cash, it is not a very efficient method of doing so.

CAUSE: In an attempt to safeguard cash, the major asset, the Board policy is that all checks be signed by two Board members. The Board only meets twice annually.

Zehn, Kenney & Brosette
Certified Public Accountants

Louisiana State Board of Wholesale Drug Distributors
Department of Health and Hospitals
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of the Louisiana State Board of Wholesale Drug Distributors (Board) for the fiscal years ended June 30, 1996 and 1997, we considered its internal control structure in order to determine what 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 September 19, 1997. This letter does not affect our report dated September 19, 1997 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.) **CRITICAL:** Part 7, Policy and Procedure memoranda, Chapter 15, General Travel Regulations - P.F.S. 48, Section 1505 states that all claims for travel reimbursement must "show all expenses in detail to the end that the total cost of the trip shall be reflected by the travel member."

CONCLUSION: The Board does not require that the travel expense reimbursement request form be completed in detail. The advisory readings were not completed on any of the twelve mileage reimbursement requests of the Board's inspector. Further, there is no indication that any of the forms were checked for accuracy or cancelled when payment was made. Additionally, on five of the twelve forms there was no signature approving payment.

RISK: The Board has no written policy regarding completion and approval of expense reimbursements.

EFFECT: Controls over travel reimbursements are not adequate to ensure that only properly authorized travel is reimbursed and that the amount of the reimbursement has been accurately determined.

RECOMMENDATION: The Board should establish controls which require:

- a.) Reimbursement forms be completed in full including beginning and ending advisory readings for all mileage claimed.
- b.) Each accuracy of forms should be verified by someone other than the traveler. Notation of performance of this check should be included on the form.

LOUISIANA STATE BOARD OF
MEDICABLE DRUG DISTRIBUTION

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

SCHEDULE OF FEE DUES PAID BOARD MEMBERS
FOR THE FISCAL YEARS ENDED JUNE 30,

<u>Name</u>	<u>1956</u>	<u>1957</u>
Bob Benches	\$2,300	\$2,000
Wayne Greenillion	75	100
Gayle White	75	150
Samuel Holt	-	225
John Liggio	<u>300</u>	<u> </u>
Total	<u>\$2,300</u>	<u>\$2,500</u>

This schedule of pay dues paid to board members is presented in compliance with House Concurrent Resolution No. 34 of the 1956 Session of the Louisiana Legislature. Board members are paid \$75 per day for each board meeting they attend and for each day of additional service they render to the Board, as authorized by Louisiana Revised Statutes 37:3111.

In planning and performing our audit of the financial statements of the Board, for the years ended June 30, 1998 and 1999, 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 planned in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a matter involving the internal control structure and its operation that we considered 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, would adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the proposed unit financial statements. We consider the following to be a reportable condition:

Because the Board has only two employees, the segregation of duties which exists is inconsistent with appropriate control objectives. This occurs because it is not financially feasible for the Board to employ additional people.

A material weakness is a reportable condition in which the design or operation 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 the reportable condition described above to be a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Board in a separate letter dated September 18, 1997.

This report is intended for the information of Board management and the legislative audit Advisory Committee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Loftis, Gray & Stewart

Monroe, Louisiana
September 19, 1997

Zahn, Kinney & Bessette
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN ASSESS OF GENERAL PRACTICE
ON BASIC FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Louisiana State Board of Wholesale Drug Distributors
Department of Health and Hospitals
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana State Board of Wholesale Drug Distributors (Board), a component unit of the Department of Health and Hospitals, State of Louisiana, as of June 30, 1997 and for the fiscal years ended June 30, 1996 and 1997, and have issued our report thereon dated September 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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.

In planning and performing our audit of the financial statements of the Board, for the years ended June 30, 1996 and 1997, 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.

The management of the Board is responsible for establishing and maintaining internal control structure. In fulfilling this responsibility, evidence and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of the 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 recorded in accordance with management's authorization and recorded properly to permit the preparation of 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 procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Zahn, Kierney & Brunette
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Louisiana State Board of Wholesale Drug Distributors
Department of Health and Hospitals
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana State Board of Wholesale Drug Distributors (Board), a component unit of the Department of Health and Hospitals, State of Louisiana, as of June 30, 1997 and for the fiscal years ended June 30, 1996 and 1997, and have issued our report thereon dated September 19, 1997.

We conducted our audit 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, regulations, contracts, and grants applicable to the Board 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, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein, under government auditing standards.

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

Zahn, Kierney & Brunette

Metairie, Louisiana
September 19, 1997

M. RELATED PARTY TRANSACTIONS

The Board has entered into no related party transactions during the audit period.

N. LITIGATION

At June 30, 1997, there was no litigation pending against the Board.

O. DESIGNATED FUND BALANCE

The Board has designated \$40,000 of the fund balance as a reserve for undetermined future legal contingencies.

J. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (continued)

become eligible for those benefits if they reach normal retirement age while working for the Board.

Those benefits for retirees and similar benefits for 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.

K. LEASES

The Board rents its office space under an operating lease. The lease expense is included in operating expenditures and the total lease expense for the fiscal years ended June 30, 1996 and 1997 was \$5,818 and \$5,189, respectively. The first payment on the lease will be December 31, 1997. Remaining payments on the lease at June 30, 1997 total \$7,580.

L. GENERAL LONG-TERM OBLIGATIONS

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

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

Long-term obligations payable	
at July 1, 1996	\$.
additions	1,000
deductions	()
Long-term obligations payable	
at June 30, 1997	\$ <u>1,000</u>

E. 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:

	<u>For fiscal year ended</u>	
	<u>June 30, 1976</u>	<u>June 30, 1977</u>
Balance at beginning of fiscal year	\$ 20,748	\$ 25,800
Additions	4,012	930
Deletions	—	(4,362)
Balance at end of fiscal year	<u>\$ 24,760</u>	<u>\$ 22,368</u>

F. PENSION PLAN

The Board's employees participate in the Louisiana State Employees' Retirement System (LASERS). The employee contribution is 7.0% of gross salary for each year presented. Additional information for each year is as follows:

	<u>For fiscal year ended</u>	
	<u>June 30, 1976</u>	<u>June 30, 1977</u>
Board's contribution percentage	10%	17.5%
Employee contributions	\$ 1,204	\$ 4,048
Board's contributions	2,870	6,738
Payroll subject to retirement	17,250	55,615

Under present statutes, the Board does not guarantee any of the benefits granted by the retirement system.

G. 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

F. 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.

Unused unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave may 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 180 hours is paid on 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 180 hours and sick leave are used in the retirement benefit computation as earned service.

As June 30, 1997, the employees of the Board had accumulated and vested 23,068 of employee leave benefits, which was computed in accordance with GASB Codification Section 160, as modified by GASB Statement Number 16. This amount is recorded within the General Long-Term Debt Account Group.

G. TOTAL COLUMN ON STATEMENTS

The total column on the Balance Sheet is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Since in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

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 circumstances method of accounting.

E. CASH AND CASH EQUIVALENTS

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits and certificates of deposits. 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 \$151,453 at June 30, 1997. Cash and cash equivalents are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance as 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, 1997, the amount on deposit was secured as follows:

Carrying Amount on Balance Sheet	<u>Cash</u> \$151,453
Bank Balance:	
1. Insured (FDIC)	\$100,000
2. Uninsured/underinsured, including any securities held for the utility but not in the utility's name	<u>51,453</u>
Total Bank Balances	<u>\$151,453</u>

G. 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 basis 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.

H. BUDGET PRACTICES

Budgets are prepared and adopted by the Board annually. The budget for fiscal year ended June 30, 1993 was adopted at the November 9, 1992 Board meeting and the budget for fiscal year ending June 30, 1994 was adopted at the November 8, 1993 Board meeting.

In accordance with Louisiana Revised Statutes 18:1321 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 revises the budget and makes changes, when deemed appropriate.

The Board amended the budget for fiscal year ended June 30, 1994 twice, once on December 13, 1993 and again on June 10, 1994. The Board amended the budget for fiscal year ended June 30, 1997 once on November 9, 1996. Budgets are prepared on the modified accrual basis of accounting, including the changes in fund balance.

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 2280 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 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 on 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.

Special Funds

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

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana State Board of Wholesale Drug Distributors (the Board) is a component unit of the State of Louisiana (the State) created within the Louisiana Department of Health and Hospitals, as provided by Louisiana Revised Statutes 48:1481-1483. The Board is composed of seven members, appointed by the Governor, who serve staggered terms of from two to six years, except that each member shall serve until his successor has been appointed and begins serving. The Board is charged with the responsibility of licensing all suppliers of legend drugs that ship into or within Louisiana; suspending all wholesalers and distributors licensed in Louisiana; and establishing certification that out-of-state suppliers who ship into Louisiana are properly certified in their own states. Operations of the Board are funded with self-generated license 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 designated as generally accepted accounting principles for state and local governments.

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTORS

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	REVENUES		Variance Favorable (Unfavorable)
	Actual	Budget	
Licenses, permits, and fees	\$ 83,300	1 80,000	\$ 13,100
Other	113	-	113
Use of money	<u>3,732</u>	<u>3,732</u>	<u>1,032</u>
Total revenues	86,832	82,732	14,232

	EXPENDITURES		Variance Favorable (Unfavorable)
	Actual	Budget	
Personnel services and related benefits	22,808	23,850	1,042
Operating expenditures	14,712	24,120	9,388
Professional services	22,818	24,345	1,735
Capital outlay	<u>3,388</u>	<u>8,390</u>	<u>4,932</u>
Total expenditures	<u>63,826</u>	<u>81,005</u>	<u>17,189</u>
Excess (deficiency) of revenues over expenditures	21,053	(8,303)	29,356

	FUND BALANCE		
Fund balance, July 1, 1993	128,666	128,666	_____
Fund balance, June 30, 1994	<u>149,719</u>	<u>120,363</u>	\$ 29,356

(See notes to financial statements)

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTORS

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	<u>REVENUES</u>		Variance Favorable (Disfavorable)
	<u>Original Fund Amount</u>	<u>Actual</u>	
Licenses, permits, and fees	\$206,075	\$ 87,800	\$ 118,275
Other	281	-	281
Use of money	<u>4,254</u>	<u>2,220</u>	<u>2,034</u>
Total revenues	118,612	89,700	28,912

	<u>EXPENDITURES</u>		Variance Favorable (Disfavorable)
	<u>Original Fund Amount</u>	<u>Actual</u>	
Personnel services and related benefits	48,008	70,993	2,875
Operating expenditures	32,374	38,958	6,874
Professional services	18,186	24,705	6,909
Capital outlay	<u>2,334</u>	<u>3,008</u>	<u>7,864</u>
Total expenditures	111,826	123,668	17,872
Excess (deficiency) of revenues over expenditures	(1,173)	(38,968)	38,778

<u>FUND BALANCE</u>			
Fund balance, July 1, 1996	207,118	211,115	48,308
Fund balance, June 30, 1997	<u>108,362</u>	<u>61,147</u>	<u>47,608</u>

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTION

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

COMBINED BALANCE SHEET - ALL FUND
TYPES AND ACCOUNT CATEGORIES

JUNE 30, 1993

	Governmental <u>Fund Type</u> General Fund	Business Group		Total (Gross Value)
		General Fixed Assets	General Long-Term Funds	
ASSETS				
Cash and cash equivalents	\$ 181,453	\$ -	\$ -	\$ 181,453
Furniture and equipment	-	23,481	-	23,481
Amount to be provided for compensated absences	-	-	2,080	2,080
Total assets	<u>\$ 181,453</u>	<u>\$ 23,481</u>	<u>\$ 2,080</u>	<u>\$ 228,994</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 1,169	\$ -	\$ -	\$ 1,169
Accrued expenses	1,712	-	-	1,712
Compensated absences	-	-	2,080	2,080
Total liabilities	<u>2,881</u>	<u>-</u>	<u>2,080</u>	<u>4,961</u>
FUND BALANCES				
Investment in general fixed assets	-	23,481	-	23,481
Fund balance, Designated	40,000	-	-	40,000
Unreserved, undesignated	124,362	-	-	124,362
Total fund balances	<u>164,362</u>	<u>23,481</u>	<u>-</u>	<u>187,843</u>
Total liabilities and fund balances	<u>\$ 281,633</u>	<u>\$ 23,481</u>	<u>\$ 2,080</u>	<u>\$ 328,994</u>

(See notes to financial statements)

Zahn, Krenny & Brantle
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Louisiana State Board of Wholesale Drug Distributors
Department of Health and Hospitals
State of Louisiana

We have audited the accompanying balance sheet of the Louisiana State Board of Wholesale Drug Distributors (Board), a component unit of the Department of Health and Hospitals, State of Louisiana, as of June 30, 1997, and the related operating statements for the fiscal years ended June 30, 1996 and 1997. 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 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, 1997, and the results of its operations for the fiscal years ended June 30, 1996 and 1997 in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 19, 1997 on our consideration of the Board's internal control structure and a report dated September 19, 1997 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information presented on page 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, Krenny & Brantle

Mercato, Louisiana
September 19, 1997

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTORS

DEPARTMENT OF HEALTH AND HOSPITALS

STATE OF LOUISIANA

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTORS

DEPARTMENT OF HEALTH AND HOSPITALS

STATE OF LOUISIANA

JUNE 30, 1987
and the opening statements
for the fiscal years ended
JUNE 30, 1986 and 1985

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, and by other appropriate public officials. This 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.

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