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SENATE
STATE OF LOUISIANA

FINANCIAL REPORT

June 30, 1997

Release date
JAN 07 1998

Provost Salter Harper Alford LLC
Certified Public Accountants
Business Advisors

8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (504) 924-1772 / Facsimile: (504) 927-9075

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Provost Salter Harper & Alford L.L.C.
Certified Public Accountants
Business Advisors

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Honorable Randy Ewing
Senate, State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Senate, State of Louisiana, as of and for the year ended June 30, 1997, as listed in the table of contents. These financial statements are the responsibility of the Senate's management. 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.

As discussed in Note 1, the financial statements of the Senate, State of Louisiana, are intended to present the financial position and results of operations of only that portion of the reporting entity of the State of Louisiana.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule on page 15 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Senate, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

8550 United Plaza Blvd., Suite 600, Baton Rouge, Louisiana 70809, Phone: (504) 924-7272 / Facsimile: (504) 927-9075

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 1997, on our consideration of the Senate, State of Louisiana's internal control structure and a report dated September 15, 1997 on its compliance with laws and regulations.

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

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

September 15, 1997

SENATE, STATE OF LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund Type - General Fund ***Year Ended June 30, 1997***

Revenue	
State appropriations	$ 9,568,431
Interest	14,266
Other	56,906
Total Revenue	9,639,603
Expenditures	
Personal services	6,909,809
Travel	135,901
Operating services	1,902,836
Supplies	186,877
Professional services	65,855
Telephone	353,158
Printing	216,202
Capital outlay	330,731
Total Expenditures	10,101,369
(Deficiency) of Revenues Over Expenditures	(461,766)
Other Financing Sources (Uses)	
Interagency transfers in	97,678
Interagency transfers out	(4,022,000)
(Deficiency) of Revenues and Other Financing Sources Over Expenditures And Other Financing (Uses)	(4,386,088)
Fund Balance	
Beginning	5,788,707
Ending	$ 1,402,619

See Notes to Financial Statements.

SENATE, STATE OF LOUISIANA

Statement of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget (Legal Basis) and Actual - General Fund

Year Ended June 30, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
State appropriations	$ 9,568,431	$ 9,568,431	$ -
Interest income	-	14,266	14,266
Other	-	56,906	56,906
Reappropriated fund balance	5,987,804	5,987,804	-
Total revenues	15,556,235	15,627,407	71,172
Expenditures and Encumbrances			
Session	1,158,875	1,379,841	(220,966)
Special sessions	-	1,865	(1,865)
Interim	8,409,556	8,632,309	(222,753)
Total expenditures and encumbrances	9,568,431	10,014,015	(445,584)
Excess of Revenues Over Expenditures and Encumbrances	5,987,804	5,613,392	(374,412)
Other Financing Sources (Uses)			
Interagency transfers in	-	97,678	97,678
Interagency transfers out	(4,000,000)	(4,022,000)	(22,000)
Excess of Revenues and Other Financing Sources Over Expenditures and Encumbrances and Other Financing (Uses)	1,987,804	1,689,070	(298,734)
Fund Balance			
Beginning	5,987,804	5,987,804	-
Less reappropriated fund balance (1)	(5,987,804)	(5,987,804)	-
Ending	$ 1,987,804	1,689,070	$ (298,734)
Adjustments to generally accepted accounting principles			
Accrued payroll not budgeted in current year		(286,451)	
Ending (GAAP basis)		$ 1,402,619	

(1) Budgets include reappropriated fund balances carried over from prior years to cover expenditures of the current year. This amount is not [illegible] of the current period, but is presented as revenue only for budgetary reporting purposes. Beginning budgetary fund balances have been red[illegible] the carryover to reflect the budgetary ending fund balance projected.

1. **Summary of Significant Accounting Policies**

The Louisiana State Senate is a part of the legislative branch of government created under Article III of the 1974 Louisiana Constitution.

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a *Codification of Government Accounting and Financial Reporting Standards*. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such pronouncements.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity. Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the Senate, State of Louisiana) to be the State of Louisiana. The accompanying financial statements of the Senate contain sub-account information of the General Fund and account groups of the State of Louisiana. Annually, the State of Louisiana issues financial statements, which include the activity contained in the accompanying financial statements.

Fund Accounting. The Senate, State of Louisiana, uses fund accounting (separate set of self-balancing accounts) to reflect the sources and uses of available resources and the budgetary restrictions placed on those funds by the Louisiana Legislature. The fund and account groups presented in the accompanying financial statements, and as described below, comprise the General Fund and account groups of the Senate, State of Louisiana.

Governmental Fund Type.

General Fund. The General Fund is used to account for all of the Senate, State of Louisiana's general activities, including the acquisition of general fixed assets and the servicing of general long-term debt. It is used to account for all activities of the Senate.

Account Groups. The account groups are a reporting device designed to provide accountability for certain long-term assets and liabilities that are not recorded in the funds because they do not directly affect net expendable, available financial resources.

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.

Revenues. The governmental fund is accounted for using the modified accrual basis of accounting. The revenues are recognized when they become measurable and available. The revenues susceptible to accrual are state appropriations and interest revenue.

The unwarranted appropriation and appropriation authorized and collected during the year are summarized as follows:

	Total Appro-priation Authorized	Unwarranted Appropriation as of June 30, 1996	Appropriation Authorized for the year ended June 30, 1997	Funds Collected in the year ended June 30, 1997	Unwarranted Appropriation as of June 30, 1997
Act 1235, 1995 R.S.	10,555,235	$ 5,055,000	$ -	$ 5,055,000	$ -
Act 39, 1996 R.S.	9,568,431	-	9,568,431	8,008,431	1,560,000
		$ 5,055,000	$ 9,568,431	$13,063,431	$ 1,560,000

Expenditures. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Statement C is not intended to reflect operations of the Senate, State of Louisiana in accordance with generally accepted accounting principles in that:

1. Re-appropriated funds from prior years are recognized as revenues in the current year.
2. Salaries and related benefits are recognized when paid unless specific authorization is provided in the annual legislative appropriation; and
3. Encumbrances are recorded as an expenditure when purchase orders are issued.

The statement is intended to compare the annual budget, which is not prepared in accordance with generally accepted accounting principles with comparable expenditures for the period.

Fixed Assets. The accompanying statements reflect furniture, fixtures and equipment used by the Senate, State of Louisiana, and funded by the legislative appropriation, in daily operations. Those assets are recorded at cost in the General Fixed Asset Account Group. Fixed assets are not depreciated.

The accompanying statements do not include the value of land and buildings provided without cost to the Senate, by the State of Louisiana. Those assets are recorded with the annual financial statements of the State of Louisiana.

Budgetary Practices. The Senate, State of Louisiana is required to submit to the members of the Senate an estimate of the financial requirements for the ensuing fiscal year. The General Fund appropriation is enacted into law by the Legislature and sent to the Governor for his signature. The Senate, State of Louisiana is authorized to transfer budget amounts between accounts in the General Fund. Revisions that alter total appropriations must be approved by the Legislature. The level of budgetary responsibility is by total appropriation. All annual appropriations lapse at fiscal year end, and require that any amounts not expended or encumbered at the close of the fiscal year be returned to the State General Fund unless otherwise reappropriated by subsequent legislative action. Current appropriation legislation authorizes such reappropriation of prior year funds.

The budget for the General Fund is prepared on the budgetary (legal) basis of accounting. In compliance with budgetary authorization, the Senate, State of Louisiana includes the prior year's fund balance represented by appropriated net assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue because it represents prior period's excess of revenues over expenditures.

Encumbrances. Encumbrances are recorded when purchase orders, contracts, and other commitments for expenditure of moneys are recorded but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated. Encumbrances are an allowable charge against the current year appropriation.

Leave Benefits. Accumulated unpaid annual, sick, and compensatory leave is reported in the General Long-Term Obligation Account Group within the accompanying financial statements. The Senate, State of Louisiana's employees accrue unlimited amounts of annual and sick leave at varying rates as established by the Senate's personnel manual. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits.

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per workweek. The compensatory leave may be used similarly to annual or sick leave. At June 30, 1997, annual leave of up to 300 hours, for which employees could be paid upon resignation or retirement, and compensatory leave, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.105, total $638,921.

The following are the changes in general compensated absences (long-term obligations) during the year.

Balance July 1, 1996	Net Change	Balance June 30, 1997
$ 564,320	$ 74,601	$ 638,921

__Postretirement Benefits.__ The Senate, State of Louisiana, provides certain health care and life insurance benefits for retired employees. Substantially all of the Senate's employees may become eligible for those benefits if they reach normal retirement age while working for the Senate. These benefits for retirees and similar benefits for active employees are provided through the State's Group Benefits Program whose monthly premiums are paid jointly by the employee and the Senate. The Senate recognizes the cost of providing these benefits as an expenditure in the year paid. For the year ended June 30, 1997, those costs totaled $115,997, which covered 37, retired employees, funded through the legislative appropriation. Retirees pay ½ of the cost of their benefits.

__Total Column on Balance Sheet.__ The total column on the balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

__Agency Accounts.__ Agency accounts are custodial in nature and are used to account for assets held by the Senate in an agency capacity and are reflected in the accompanying financial statements as an asset "cash, restricted agency accounts" and a corresponding liability "Due to restricted agency accounts". These accounts are not available to fund the operations of the Senate, therefore they have not been included in the Senate's previously issued financial statements. Management has included the accounts in the current year's financial statement to more accurately reflect Senate responsibilities. These funds are managed by Senate personnel but are restricted to the use by the following commissions:

__The Governor's Study Commission on Ports.__ Senate Concurrent Resolutions 107 of the 1982 Regular Session and 77 of the 1983 Regular Session called for a Special Task Force on the Future of the Port of New Orleans, thus the Governor's Study Commission on Ports was created and funded by a $15,000 grant from the Louisiana Department of Transportation and Development in April, 1985.

__Louisiana Advisory commission on Intergovernmental Relations.__ This account was formed by an initial investment from the Louisiana Municipal Association of $1,000 in February, 1990. A checking account and Certificate of Deposit comprise the assets of this account.

__1984 Conference on Energy Issues.__ The 1984 Conference on Energy Issues was organized and hosted by The Energy Development Study Commission which was a legislatively-created body made up of legislative, state agency and private sector representatives. The funds deposited into the checking account were generated by registration fees for the conference and checks were issued for the related expenses of the conference. The account was kept open in anticipation of having another conference.

The activities in the restricted agency accounts for the year ended June 30, 1997, can be summarized as follows:

	Balance July 1, 1996	Interest Income	Balance June 30, 1997
Governors Study Commission on Ports	$ 11,904	$ -	$ 11,904
Louisiana Advisory Commission of Intergovernmental Relations	12,802	417	13,219
1984 Conference on Energy Issues	2,245	-	2,245
	$ 26,951	$ 417	$ 27,368

2. Retirement System

__Plan Description.__ Substantially, all employees and members of the Senate participate in the Louisiana State Employee's Retirement System (LASERS) or the Teacher's Retirement System of Louisiana (TRS), both of which are cost sharing, multiple-employer defined benefit pension plans administered by a separate Board of Trustees. The plans provide retirement, disability, and by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. The reports may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804-4213, or by calling (504) 922-0600; or by writing to Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana, 70804-9123, or by calling (504) 925-6446.

__Funding Policy.__ Plan members of the Senate are required by state statute to contribute 7½%, 8%, 9½% or 11% of their annual covered salary to LASERS and TRS, respectively and the Senate (as their employer) is required to contribute at an actuarially determined rate. The current employer rate is 12.4% and 16.3% of annual covered payroll for LASERS and TRS, respectively. The contribution requirements of plan members and the employer are established by, and amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contribution is funded by the State of Louisiana through the annual legislative appropriation. The Senate's employer contributions to LASERS and TRS for the years ending June 30, 1997, 1996, and 1995, which were equal to the required contributions for each year, were as follows.

June 30,	LASERS	TRS	Total
1997	$ 650,111	$ 17,230	$ 667,341
1996	636,074	11,099	647,173
1995	696,160	11,043	707,203

3. Cash In Bank

Under State law, the Senate, State of Louisiana, may deposit funds in an approved bank located in the State selected and designated by the presiding officer of the Senate. These public 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 bank. These pledged securities are held in the name of the pledging fiscal agent bank (Category 3) in a holding or custodial bank. The bank deposits at June 30, 1997, are secured as follows:

	Carrying Balance	Bank Balance	FDIC Insurance	Pledged Collateral
Cash in Bank	$ 211,199	$ 682,745	$ 200,000	$ 1,40[illegible]
Cash, restricted agency accounts	27,368	27,368	100,000	
Total	$ 238,567	$ 681,641	$ 300,000	$ 1,40[illegible]

4. Furniture, Fixtures, and Equipment

At June 30, 1997, the Senate, State of Louisiana has an inventory totaling $3,269,609 of furniture, fixtures, and equipment or movable property. The following summarizes transactions during the year.

	Balance July 1, 1996	Additions	Deletions	Balance June 30, 1997
Moveable property	$ 3,412,460	$ 278,320	$ (421,171)	$ 3,269,609

5. Litigation, Claims, and Similar Contingencies

Losses arising from litigation, claims, and similar contingencies are considered state liabilities and are paid by special appropriations made by the Louisiana Legislature. Any applicable litigation, claims, and similar contingencies are not recognized in the accompanying financial statements.

At June 30, 1997, the Senate was involved in various lawsuits relating to its function as the Senate, State of Louisiana. In the opinion of legal counsel, resolution of the litigation would not result in substantial liability to the Senate, State of Louisiana and, accordingly, is not recorded in the accompanying financial statements.

6. Professional Services

Professional services, reported on Statement B, include the following professional fees:

Charles E. Schwing & Associates (architectural)	$	[illegible]
Unglesby & Koch (legal services)		[illegible]
Capital City Court Reporters (proceedings reporting)		[illegible]
Benefit America (employee benefits)		[illegible]
Charles W. Roberts (legal)		4,388
Phelps Dunbar (legal)		[illegible]
LeBlanc & Assef (acoustical equipment)		[illegible]
Total	$	[illegible]

7. Deferred Compensation Plan

The State of Louisiana offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the State's legal counsel that the State has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The State believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

8. Interagency Transfers

Amounts paid to other governmental units for the year ended June 30, 1997, consist of payments to the House of Representatives for personal expenses in the amount of $22,000 and a transfer to the Department of Transportation and Development for $4,000,000.

Amounts received from other governmental units for the year ended June 30, 1997, consist of the following:

	Capital Outlay	Personal Service	Document Services	Total
Legislative Budgetary Control Council	$ 40,067	$ 11,433	$ 46,178	$ 97,678

9. Other Costs

The State of Louisiana, through other appropriations, provides office space, utilities, and janitorial services for the operations in the State Capitol, all of which are not included in the accompanying financial statements.

SENATE, STATE OF LOUISIANA

Schedule of Senators' Per Diem — *Year Ended June 30, 1997*

Senator	Total	Interim Session Per Diem Days	Interim Session Per Diem Amount	Regular Session Per Diem Days	Regular Session Per Diem Amount	Travel Per Diem Days	Travel Per Diem Amount
Bagneris, Dennis	$ 10,200	$ 37	$ 2,775	$ 85	$ 6,375	$ 14	$ [illegible]
Bajoie, Diana	8,775	8	600	85	6,375	24	[illegible]
Barham, Robert J.	8,625	25	1,875	85	6,375	5	[illegible]
Bean, Ron	9,975	45	3,375	85	6,375	3	[illegible]
Branch, Mike	6,450	1	75	85	6,375	-	-
Cain, James David	7,875	20	1,500	85	6,375	-	-
Campbell, Foster	7,275	12	900	85	6,375	-	-
Casanova, Tommy	7,275	12	900	85	6,375	-	-
Cox, Jim	6,525	2	150	85	6,375	-	-
Cravins, Donald	7,425	10	750	85	6,375	4	[illegible]
Dardenne, Jay	9,225	38	2,850	85	6,375	-	-
Dean, Lynn	6,675	4	300	85	6,375	-	-
Dyess, B. G.	7,650	17	1,275	85	6,375	-	-
Ellington, Noble	7,725	12	900	85	6,375	6	[illegible]
Ewing, Randy	225	-	-	-	-	3	[illegible]
Fields, Wilson	8,325	20	1,500	85	6,375	6	[illegible]
Greene, Thomas	9,375	31	2,325	85	6,375	9	[illegible]
Guidry, John	7,875	13	975	85	6,375	7	[illegible]
Hainkel, John	7,575	5	375	85	6,375	11	[illegible]
Heitmeier, Francis	6,825	1	75	85	6,375	5	[illegible]
Hines, Donald	8,325	16	1,200	85	6,375	10	[illegible]
Hollis, Ken	7,500	15	1,125	85	6,375	-	-
Irons, Paulette	9,975	38	2,850	85	6,375	10	[illegible]
Johnson, Jon	6,975	8	600	85	6,375	-	-
Jones, Charles	6,750	5	375	85	6,375	-	-
Jordan, J. Lomax	7,275	12	900	85	6,375	-	-
Lambert, Louis	6,825	6	450	85	6,375	-	-
Landry, Ron	10,800	48	3,600	85	6,375	11	[illegible]
Lentini, Arthur	6,825	6	450	85	6,375	-	-
Malone, Max	7,200	6	450	85	6,375	5	[illegible]
Picard, Cecil	300	-	-	-	-	4	[illegible]
Robichaux, Michael	6,975	8	600	85	6,375	-	-
Romero, Craig	6,975	8	600	85	6,375	-	-
Schelder, Tom	8,325	21	1,575	85	6,375	5	[illegible]
Short, Phil	6,750	5	375	85	6,375	-	-
Siracusa, John	7,950	5	375	85	6,375	16	[illegible]
Smith, Mike	7,575	16	1,200	85	6,375	-	-
Tarver, Gregory	6,900	7	525	85	6,375	-	-
Theunissen, Gerald	6,600	3	225	85	6,375	-	-
Ullo, Chris	9,000	13	975	85	6,375	22	[illegible]
	$ 297,675		$ 41,925		$ 242,250		$ [illegible]

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Randy Ewing
Senate, State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Senate, State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated September 15, 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.

The management of the Senate, State of Louisiana, 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 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.

In planning and performing our audit of the financial statements of the Senate, State of Louisiana, for the year ended June 30, 1997, 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 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.

8550 United Plaza Blvd., Suite 600, Baton Rouge, Louisiana 70809, Phone: (504) 924-1772 / Facsimile: (504) 927-9075

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions 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 entity's ability to record process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters that we consider to be reportable conditions are described in the accompanying schedule of internal control structure reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the 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 none of the reportable conditions described in the accompanying schedule of internal control structure reportable conditions are material weaknesses.

This report is intended for the information of the Senate's management, the Louisiana Legislative Auditor and the Legislative Budgetary Control Council. However, this report is a matter of public record and its distribution is not limited.

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

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

September 15, 1997

1. **Documentation of employee compensation**

Condition. There are some instances where certain employees are paid without adequate documentation that they are entitled to receive the compensation.

Criteria. To insure that all compensation paid is remuneration for services rendered management should be required to document that all employees are entitled to the compensation.

Effect. The effect is such that errors could occur in paying certain employees because there is insufficient documentation in certain instances that the employees are entitled to the compensation.

Cause. The present system does not always require the documentation prior to the release of the check.

Recommendation. Management should modify the system to require the documentation prior to the release of the check issued as compensation for services rendered for all employees.

Response by Management. Since this matter has been brought to the attention of management in April 1994, management has responded as follows:

> The Senate and House of Representatives, when in session, require front desk and head page employees to be available seven days a week for twenty-four hours a day unless the employee is out of town or has an excused absence. Historically, because the Senators do not know how late in the day such employees may be needed, such employees are paid on the same basis as the Senators on a per diem basis. The procedure has been in place since the Senate was formed. Days available are checked by the assistant to the secretary of the Senate and a day's per diem is deducted per each day the employee is not available.

2. Lack of Segregation of Duties in Connection With Senate Restricted Agency Accounts

Condition. The Senate has not established adequate controls over safeguarding of certain bank accounts controlled by Senate personnel.

Criteria. Because of the limited activity in these Restricted Agency Accounts, only one employee receives and reconciles the bank statements monthly.

Effect. The effect is such that errors or misstatements in the processing of transactions and control assets could occur and not be detected in a timely manner in the ordinary course of operations.

Cause. Although the employee does not have check signing authority, only one person monitors the accounts on a timely basis.

Recommendation. Management should consider having a person other than the authorized signer or the person that reconciles the bank statement for these accounts receive the bank statements and review for activity prior to the bank statement reconciliation process.

Response by Management. Management has noted this condition and has determined that the recommendation will be implemented.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Randy Ewing
Senate, State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Senate, State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated September 15, 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.

Compliance with laws, regulations, contracts and grants applicable to the Senate, State of Louisiana, is the responsibility of the Senate's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Senate'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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This instance of noncompliance is described in the accompanying schedule of compliance finding and recommendation.

We considered this instance of noncompliance in forming our opinion on whether the Senate, State of Louisiana's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated September 15, 1997, on those financial statements.

This report is intended for the information of the Senate's management, the Louisiana Legislative Auditor and the Legislative Budgetary Control Council. However, this report is a matter of public record and its distribution is not limited.

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

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

September 15, 1997

8550 United Plaza Blvd., Suite 808, Baton Rouge, Louisiana 70809, Phone: (504) 374-7772 / Facsimile: (504) 527-8075

Finding. **Noncompliance with the Louisiana Performance Audit Program.**

Condition. The Senate, State of Louisiana, is not in compliance with the Louisiana Performance Audit Program.

Criteria. Revised Statute 24:522 D(2) states that "All state agencies shall develop specific goals and objectives for each of their programs to include measures of performance. They shall report on program goals and objectives in developing annual budgets and shall submit such information to the Legislature as a part of the appropriation process.

Effect. The Senate, State of Louisiana is not in compliance with the Revised Statutes of the State of Louisiana.

Cause. Management is in the process of evaluating the applicability and requirements of R.S. 24:522.

Recommendation. Management should evaluate the requirements of Revised Statute 24:522 and develop goals and objectives for its programs accordingly.

Auditee Response. Management will evaluate the applicability and requirements of R.S. 24:522 and develop goals and objectives for its programs accordingly.

SENATE, STATE OF LOUSIANA

Independent Auditor's Comments on Resolution of Prior Audit Findings — *June 30, 1997*

The reportable conditions described on page 18 and 19 are repeat findings from prior years. The compliance finding on page 21 was not reported in the prior year's audit. There were no other prior year audit findings for which the Senate, State of Louisiana has not implemented the corrective action recommended.

Senate
State of Louisiana

P. O. Box 94183
Baton Rouge, Louisiana 70804
(504) 342-2040

December 23, 1997

Mr. Charles E. Harper, Jr.
Provost, Slater, Harper, and Alford
Certified Public Accountants
8550 United Plaza Blvd, Suite 600
Baton Rouge, LA 70809

Dear Mr. Harper:

In response to the comments made in the audit of the Louisiana Senate for the fiscal year ending June 30, 1997, the following is submitted:

1. Regarding documentation of employee compensation, the Senate and House of Representatives, when in session, require front desk and head page employees to be available seven days a week for twenty-four hours a day unless the employee is out of town or has an excused absence. Historically, because the Senators do not know how late in the day such employees may be needed, such employees are paid on the same basis as the Senators on a per diem basis. The procedure has been in place since the Senate was formed. Days available are checked by the assistant to the secretary of the Senate and a day's per diem is deducted per each day the employee is not available.

2. Regarding lack of segregation of duties in connection with Senate Restricted Agency Accounts, we will implement your recommendation.

Regarding your comment on the Senate's noncompliance with the Louisiana Performance Audit Program, management will evaluate the applicability and requirements of R.S. 24:522 and develop goals and objectives for its programs accordingly.

Very truly yours,

Randy L. Ewing, President