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LEGISLATIVE COUNCIL

**LEGISLATIVE BUDGETARY
CONTROL COUNCIL
STATE OF LOUISIANA**

FINANCIAL REPORT

June 30, 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, orally and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

APR 02 1996

Release Date _____

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

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LEGISLATIVE COUNCIL
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December 23, 1996

Honorable Nancy Diring, Co-Chair
Honorable Huntington B. Downer, Co-Chair
Legislative Budgetary Control Council, State of Louisiana
State Capitol
PO Box 44326
Baton Rouge, Louisiana 70804

In planning and performing our audit of the financial statements of the Legislative Budgetary Control Council, State of Louisiana, for the year ended June 30, 1996, we considered the Legislative Budgetary Control Council's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls. The item discussed below summarizes our comments and suggestions regarding this matter. This letter does not affect our report dated December 23, 1996, on the financial statements of the Legislative Budgetary Control Council.

Management of Document Services

Historically, the sale and distribution of legislative documents (document services) was reported in the financial statements for the Senate, State of Louisiana. As of September 1, 1995, Management assigned the Legislative Budgetary Control Council the responsibility of managing document services. In our report on internal control issued based on our audit of the Senate's financial statements for the year ended August 31, 1995, we considered the controls over cash receipts to be weak and accordingly reported them as a reportable condition. During the current year, changes have been implemented which have mitigated those previously reported weaknesses in internal control.

In prior years, legislative documents were issued to the general public at no charge. In an effort to persuade the public to only request those documents that were relative to their interest, a policy of charging for documents was implemented. Management is of the opinion that this change in policy has allowed the Legislature to reduce printing costs substantially.

Suggestions For Improvement

There may still be room for improvement in the controls over the document services area. Legislative document services supplies legislative documents to Senators, Representatives, and authorized employees at no charge and sells Legislative documents to the general public for a fee. Controls to ensure that documents issued to the general public are billed and subsequently collected do not provide management with reasonable assurance that documents are safeguarded against loss from unauthorized use.

Due to the nature of the Legislative Document Services operations, it appears that the only way to ensure that no documents are issued in an unauthorized manner would be to control the flow of all documents into and out of Document Services. This would involve monitoring the number of copies issued to personnel at no cost, the number of documents sold, as well as controlling the number of documents that were disposed of due to changes in the document, as the Legislature moves through the Legislative process.

Document Services also issues documents to the general public on credit. Management has developed a standard form which must be completed before requests for documents are filed. The accounting office has experienced, immaterial amounts of uncollectable balances, and there is often an additional problem of identifying which payments should be applied to particular invoices.

We recommend that Management further consider purchasing or developing software maintained on a computer in the document services area, through which customer accounts could be established and the invoice reported and printed on a pre-numbered form, which could facilitate better tracking and monitoring.

Management has evaluated the cost of implementing better controls and has concluded that the cost of establishing such controls coupled with the cost of collection procedures would be in excess of the potential benefit derived, especially since the initial reason for charging for the Legislative documents was not to generate revenues, but rather to reduce the potential for waste of the Legislative documents.

Based on our inquiry and observation, it appears that management has done sufficient analysis to formulate a conclusion as to the cost benefit of implementing additional control procedures. Management should re-evaluate at least annually, whether the cost associated with improving the design or operation of the internal control procedures is considered to be justifiable at the conclusion of each Legislative session.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various personnel, and we will be pleased to discuss it in further detail at your convenience, to perform additional studies of this matter, or to assist you in implementing this recommendation.

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

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

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INDEPENDENT AUDITOR'S REPORT

Honorable Randy Dying, Co-Chair
Honorable Huntington B. Downer, Jr., Co-Chair
Legislative Budgetary Control Council, State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Legislative Budgetary Control Council, State of Louisiana as of and for the year ended June 30, 1996, as listed in the table of contents. These financial statements are the responsibility of the Council'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. These 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 Legislative Budgetary Control Council, State of Louisiana, are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Louisiana.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Legislative Budgetary Control Council, State of Louisiana, as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

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 Legislative Budgetary Control Council, 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.

In accordance with Government Auditing Standards, we have also issued a report dated December 23, 1998 on our consideration of the Legislative Budgetary Control Council, State of Louisiana's internal control structure and a report dated December 23, 1998 on its compliance with laws and regulations.

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

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

December 23, 1998

**LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA**

**COMBINED BALANCE SHEET - FUND TYPE AND ACCOUNT GROUP
June 30, 1996**

| | <u>Governmental Fund Type General</u> | <u>Account Group General Long-Term Obligation</u> | <u>Totals (Memorandum Only)</u> |
|---|---|---|---|
| ASSETS AND OTHER DEBIT | | | |
| Cash in bank | \$ 288,791 | \$ - | \$ 288,791 |
| Unwarranted appropriations | 6,101,666 | - | 6,101,666 |
| Other debit - Amount to be provided for compensated absences | - | 15,268 | 15,268 |
| Total assets and other debit | <u>\$ 6,470,677</u> | <u>\$ 15,268</u> | <u>\$ 6,485,945</u> |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 290,110 | \$ - | \$ 290,110 |
| Accrued salaries and related benefits | 1,501 | - | 1,501 |
| Due to other legislative agencies | 75,361 | - | 75,361 |
| Compensated absences | - | 15,268 | 15,268 |
| Total liabilities | <u>665,072</u> | <u>15,268</u> | <u>680,340</u> |
| FUND EQUITY | | | |
| Fund balance: | | | |
| Reserved for encumbrances | 1,260,098 | - | 1,260,098 |
| Unreserved - undesignated | <u>4,821,606</u> | - | <u>4,821,606</u> |
| Total fund equity | <u>6,103,706</u> | <u>-</u> | <u>6,103,706</u> |
| Total liabilities and fund equity | <u>\$ 6,470,677</u> | <u>\$ 15,268</u> | <u>\$ 6,485,945</u> |

**LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TYPE
GENERAL FUND**

For the Year Ended June 30, 1995

| | |
|--|---------------------|
| REVENUES | |
| State appropriations | \$ 5,037,377 |
| Interest | 8,330 |
| HCSL Refund | 100,062 |
| Other | <u>5,000</u> |
| Total revenues | <u>5,250,769</u> |
| EXPENDITURES | |
| Personal services | 64,877 |
| Operating services | 529,332 |
| Supplies | 81,400 |
| Professional services | 3,544,233 |
| Capital outlay | <u>287,132</u> |
| Total expenditures | <u>3,478,874</u> |
| Excess of revenues over expenditures | 1,771,895 |
| OTHER FINANCING USES | |
| Interagency transfers out | <u>(148,735)</u> |
| Excess of revenues over expenditures and other financing use | <u>1,623,160</u> |
| Fund balance, beginning | <u>4,408,028</u> |
| Fund balance, ending | <u>\$ 6,100,708</u> |

**LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA**

**STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES AND CHANGES IN
FUND BALANCE BUDGET (LEGAL BASIS) AND ACTUAL - (GENERAL) FUND**

For the Year Ended June 30, 1995

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|--|
| REVENUES | | | |
| State appropriations | \$ 5,007,277 | \$ 5,007,277 | \$ - |
| Interest | - | 6,290 | 6,290 |
| MOFL Refund | - | 188,982 | 188,982 |
| Other | - | 5,000 | 5,000 |
| Reappropriated fund balance (1) | 4,480,861 | 4,480,861 | - |
| Total revenues | <u>9,528,138</u> | <u>9,728,350</u> | <u>200,212</u> |
| EXPENDITURES AND ENCUMBRANCES | | | |
| Personal services | 82,935 | 64,877 | 18,058 |
| Operating services | 626,684 | 608,252 | 17,432 |
| Supplies | 87,888 | 87,408 | 480 |
| Professional services | 2,320,000 | 2,944,253 | (624,253) |
| Capital outlay | 2,000,000 | 1,988,328 | 11,672 |
| Total expenditures and encumbrances | <u>5,037,527</u> | <u>4,748,918</u> | <u>288,609</u> |
| Excess of revenues over expenditures and encumbrances | 4,480,611 | 4,979,432 | 498,821 |
| OTHER FINANCING USES | | | |
| Interagency transfers out | - | (148,736) | (148,736) |
| Excess of revenues over expenditures, encumbrances and other financing uses | 4,480,611 | 4,830,696 | 349,785 |
| Fund balance, beginning (non-GAAP basis) | 4,480,861 | 4,480,861 | - |
| Less reappropriated fund balance (2) | <u>(4,480,861)</u> | <u>(4,480,861)</u> | <u>-</u> |
| Fund balance, ending (non-GAAP basis) | <u>\$ 4,480,861</u> | <u>4,830,696</u> | <u>\$ 349,785</u> |
| Adjustments to generally accepted accounting principles: | | | |
| Current year encumbrances included in expenditures | | 1,288,008 | |
| Accrued payroll not budgeted in current year | | <u>(2,038)</u> | |
| Fund balance, ending (GAAP basis), Statement A | | <u>\$ 6,110,766</u> | |

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

**LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Legislative Budgetary Control Council, State of Louisiana, created by Title 24, Section 28 of the Louisiana Revised Statutes, maintain rules and regulations designed to control the budget and spending procedures within the Legislative branch of government, approve budget request for all legislative budget units and funds joint projects for the Legislature such as the joint computer operations, upkeep and renovations of the Capitol complex and funding of national legislative organizations.

The Council is composed of 10 members and one employee.

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a 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 governments. The accompanying financial statements have been prepared in accordance with such pronouncements.

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

A. Financial Reporting Entity

Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the Legislative Budgetary Control Council) to be the State of Louisiana. The accompanying financial statements of the Legislative Budgetary Control Council 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.

B. Fund Accounting

The Legislative Budgetary Control Council uses fund accounting (separate sets 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 group presented in the accompanying financial statements, and as described

NOTES TO FINANCIAL STATEMENTS

below, comprise the General Fund and account group of the Legislative Budgetary Control Council:

Governmental Fund Type

General Fund

The General Fund is used to account for all of the Legislative Budgetary Control Council's general activities, including the servicing of general long-term debt. It is used to account for all activities of the Council.

Account Group

The account group is 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.

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.

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

| | Total Appropriation Authorized | Unawarded Appropriation as of June 30, 1999 | Appropriation Authorized for the year ended June 30, 1999 | Funds Collected in the year ended June 30, 1999 | Unawarded Appropriation as of June 30, 1999 |
|---------------------|--------------------------------------|--|--|--|--|
| Act 744, 1995 P.S. | \$ 4,540,000 | \$ 558,821 | \$ - | \$ - | \$ 558,821 |
| Act 41, 1994 P.S. | 5,581,076 | 3,989,383 | - | 2,230,718 | 1,750,594 |
| Act 1234, 1994 P.S. | 8,027,277 | - | 8,027,277 | 7,152,799 | 9,884,481 |
| | | <u>\$ 4,548,124</u> | <u>\$ 8,027,277</u> | <u>\$ 7,383,517</u> | <u>\$ 12,443,896</u> |

NOTES TO FINANCIAL STATEMENTS

In July and August of 1994 the Louisiana Legislature hosted the annual meeting of the National Conference of State Legislatures (NCSL). This function was funded by appropriations to the Legislative Budgetary Control Council as follows:

| | |
|--|-----------|
| Budget requests in fiscal year ended June 30, 1993 | \$120,000 |
| Budget requests in fiscal year ended June 30, 1994 | \$120,000 |
| Budget requests in fiscal year ended June 30, 1995 | \$100,000 |

In anticipation of the meeting the Legislative Budgetary Control Council expended \$350,000 on June 30, 1995 to NCSL to cover expenses it would incur in preparing for the 1994 Annual Meeting in New Orleans, Louisiana.

On December 14, 1995 NCSL remitted \$180,982 back to the Louisiana Legislative Budgetary Control Council to return the unused portion of the original \$350,000 that had been funded by the Legislative Budgetary Control Council. This amount was not accrued in prior years because the Legislative Budgetary Control Council could not estimate the amount, if any, that would ultimately be received.

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 Legislative Budgetary Control Council, 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.

D. Budgetary Practices

The Legislative Budgetary Control Council is required to submit to the members of the Council 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 Legislative Budgetary Control Council is authorized to

NOTES TO FINANCIAL STATEMENTS

transfer budget amounts between accounts in the General Fund. Revisions which 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 Legislative Budgetary Control Council includes the prior year's fund balance represented by appropriated liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

E. Encumbrances

Encumbrances are recorded when purchase orders, contracts, and other commitments for expenditures 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.

F. Leave Benefits

Accumulated unpaid annual, sick, and compensatory leave are reported in the General Long-Term Obligation Account Group within the accompanying financial statements. The Legislative Budgetary Control Council, State of Louisiana's employees accrue unused amounts of annual and sick leave at varying rates as established by the Legislative Budgetary Control Council's personnel practices. Upon designation 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 work week. This compensatory leave may be used similarly to annual or sick leave. At June 30, 1995, 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 Constitution of Governmental Accounting and Financial Reporting Standards Section C69.105, total \$15,266.

NOTES TO FINANCIAL STATEMENTS

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

| <u>Balance</u> <u>July 1, 1995</u> | <u>Net</u> <u>Changes</u> | <u>Balance</u> <u>June 30, 1996</u> |
|---------------------------------------|------------------------------|--|
| \$ 14,942 | \$ 124 | \$ 15,286 |

G. Total Column on Balance Sheet

The total column on the financial statements are captioned "Memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2. CASH IN BANK

Under State law, the Legislative Budgetary Control Council may deposit funds in an approved bank located in the State selected and designated by the presiding co-chairman of the Council. 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.

At June 30, 1996, the carrying amount of the Legislative Budgetary Control Council's cash account was \$288,701 and the bank balance was \$835,850. All cash was covered by federal depository insurance or pledged collateral held in the name of the pledging fiscal agent bank (category 3) in a holding or custodial bank.

NOTE 3. RETIREMENT SYSTEM

Plan Description

All employees of the Council participate in the Louisiana State Employees' Retirement System (LASERS) which is a cost sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. These plans provide retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly

NOTES TO FINANCIAL STATEMENTS

available financial report that includes 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) 532-0900.

Funding Policy

Plan members of the Legislative Budgetary Control Council, State of Louisiana are required by state statute to contribute 7.5% of their annual covered salary to LASERS, respectively and the Council (as their employer) is required to contribute at an actuarially determined rate. The current employer rate is 12% of annual covered payroll. The contribution requirements of plan members 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 Council's employer contributions to LASERS for the years ending June 30, 1996, 1995, and 1994, were as follows:

June 30,

| | |
|------|-------|
| 1996 | 5,835 |
| 1995 | 5,165 |
| 1994 | 5,167 |

NOTE 4. 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 (and 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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTE 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, 1995, the Council was involved in various lawsuits relating to its function as the Legislative Budgetary Control Council. In the opinion of legal counsel, resolution of the litigation would not result in substantial liability to the Legislative Budgetary Control Council and, accordingly, is not recorded in the accompanying financial statements.

NOTE 6. PROFESSIONAL SERVICES

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

| | |
|---|--------------------|
| Public Systems Associates (sanitary services) | \$2,418,538 |
| Charles E. Schwab & Associates (architectures) | 754,114 |
| Unglesby & Koch (legal services) | 10,920 |
| H.J. Lowe & Company, L.L.C. (accounting and auditing) | 12,789 |
| LeBlanc & Assoc (engineering) | 1,832 |
| | <u>\$3,208,233</u> |

NOTE 7. INTERAGENCY TRANSFERS OUT

Amounts paid to other governmental units for the year ended June 30, 1995, consist of the following:

| | Capital Outlay | Personal Services | Total |
|--------------------------|-------------------|----------------------|-------------------|
| House of Representatives | \$ - | \$ 87,641 | \$ 87,641 |
| Senate | <u>33,543</u> | <u>46,352</u> | <u>81,895</u> |
| | <u>\$ 33,543</u> | <u>\$ 134,193</u> | <u>\$ 167,736</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. 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.

SUPPLEMENTARY INFORMATION



Central
Mississippi
Attention

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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, Co-Chair
Honorable Huntington B. Downer, Jr., Co-Chair
Legislative Budgetary Control Council, State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Legislative Budgetary Control Council, State of Louisiana, as of and for the year ended June 30, 1995, and have issued our report thereon dated December 23, 1995.

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 Legislative Budgetary Control Council, 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 Legislative Budgetary Control Council, State of Louisiana, for the year ended June 30, 1995, 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

not 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Legislative Budgetary Control Council in a separate letter dated December 23, 1998.

This report is intended for the information of the Council's management and the Louisiana Legislative Auditor. 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.

December 23, 1998



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

Honorable Randy Ewing, Co-Chair
Honorable Huntington B. Dewier, Jr., Co-Chair
Legislative Budgetary Control Council, State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Legislative Budgetary Control Council, State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 23, 1996.

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 Legislative Budgetary Control Council, State of Louisiana, is the responsibility of the Council's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Council'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.

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 those failures or violations is material to the financial statements. The results of our tests of compliance disclosed the material instance of noncompliance which is described in the accompanying schedule of compliance finding.

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

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

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

December 23, 1996

LEGISLATIVE BUDGETARY CONTROL COUNCIL

SCHEDULE OF COMPLIANCE FINDING For the Year Ended June 30, 1995

Finding

Condition

The audit report was not completed within six months of the close of the fiscal year.

Criteria

State law requires that audits be completed within six months of the close of the entity's fiscal year.

Cause

A delay in obtaining a signed contract for the engagement of the auditors resulted in scheduling conflicts. As a result, management was not given sufficient time prior to year end to review the audit reports and provide timely signed representation letters.

Effect

The effect was to cause the audit to be delayed beyond the six months of the close of the fiscal year.

Recommendation

The entity should make every effort to monitor the progress of the audit to insure the timely completion of the engagement.

Auditor Response

The Legislative Budgetary Control Council acknowledges that the audit for the fiscal year ending June 30, 1995 was not released in a timely manner. Management will make every effort to comply with the six month time frame for completing and releasing all future audits of the financial statements for the Council.

Prior Year Finding

The finding reported in the prior year recurred in the current year audit and is reported as a finding as described above.