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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**FIFTH LOUISIANA LEGISLATIVE DISTRICT  
TALHOUSSA, LOUISIANA**

**STATE OF LOUISIANA**

**JUNE 30, 1997**  
and the opening statements  
for the fiscal years ended  
**JUNE 30, 1996 AND 1997**

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 Election Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

OCT 06 1997  
Relating Date \_\_\_\_\_

FIFTH LOUISIANA LEGISLATIVE DISTRICT

STATE OF LOUISIANA

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**Zahn, Kenney & Bresette**  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Fifth Louisiana Levee District  
State of Louisiana  
Tallulah, Louisiana

We have audited the accompanying balance sheet of the Fifth Louisiana Levee District (District), a corporate unit of the 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 District. 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 accounts 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 District, 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 30, 1997 on our consideration of the District's internal control structure and a report dated September 18, 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 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

**Zahn, Kenney & Bresette**

Batouille, Louisiana  
September 30, 1997

## FIFTH LOUISIANA LEVEE DISTRICT

## STATE OF LOUISIANA

COMBINED BALANCE SHEET - ALL FUNDS  
TYPES AND ACCOUNT GROUPS

JUNE 30, 1997

	Governmental Fund Type General Fund	Resource Usage		Total (Memo Only)
		General Fixed Assets	Special Long-Term Debt	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 248,743	\$ -	\$ -	\$ 248,743
Notes receivable	2,121	-	-	2,121
Land, buildings and equipment amount to be provided for retirement of general long-term debt	-	1,185,760	-	1,185,760
	-	-	171,736	171,736
Total assets	<u>\$ 250,864</u>	<u>\$ 1,185,760</u>	<u>\$ 171,736</u>	<u>\$ 1,208,360</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 18,595	\$ -	\$ -	\$ 18,595
Accrued expenses	8,698	-	-	8,698
Accrued compensated absences	-	-	90,643	90,643
Capital leases payable	-	-	243,102	243,102
Total liabilities	<u>27,293</u>	<u>-</u>	<u>243,736</u>	<u>271,029</u>
<b>FUND BALANCES</b>				
Investment in general fixed assets	-	1,185,760	-	1,185,760
Fund balance, Unreserved, undesignated	223,571	-	-	223,571
Total fund balances	<u>223,571</u>	<u>1,185,760</u>	<u>-</u>	<u>1,208,331</u>
Total liabilities and fund balances	<u>\$ 250,864</u>	<u>\$ 1,185,760</u>	<u>\$ 171,736</u>	<u>\$ 1,208,360</u>

(See notes to financial statements)

## FIFTH LOUISIANA LEVEE DISTRICT

## 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)
	General Fund		
	Actual	Budget	
Taxes:	\$441,013	\$409,900	\$ 31,113
Intergovernmental	61,313	61,900	(587)
Use of money and property	58,488	50,300	8,188
Total revenues	\$560,814	\$522,100	\$38,714

	EXPENDITURES		
General administration	72,691	79,890	(7,199)
Levee maintenance	187,961	168,390	19,571
Maintenance supplies and materials	160,868	133,000	27,868
General insurance	37,498	34,300	3,198
Employee related benefits	55,285	55,285	-
Travel	11,641	11,180	461
Contractual services	15,348	15,800	(452)
Other	37,171	37,190	(19)
Capital outlay	22,821	23,480	(659)
Rights-of-way and flood fight	3,812	-	3,812
Debt service:			
Principal	65,388	65,100	288
Interest	16,353	16,058	295
Total expenditures	\$623,168	\$573,408	\$49,760
Excess (deficiency) of revenues over expenditures	(162,354)	(151,308)	\$11,046

	FUND BALANCE		
Fund balance, July 1, 1993	\$11,358	\$12,700	(\$1,342)
Fund balance, June 30, 1994	\$219,224	\$224,392	(\$5,168)

(See notes to financial statements)

FIFTH LOUISIANA LEVEE DISTRICT  
STATE OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fifth Louisiana Levee District (District) is a component unit of the State of Louisiana (the STATE) created under the provisions of Louisiana Revised Statutes 48:218 (R). The District provides flood protection to the areas lying within the parishes of East Carroll, Madison, Terrecore and Ouachita. The District is composed of eight commissioners appointed by the Governor. Operations of the District are funded primarily with ad valorem taxes and state revenue sharing.

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 1985, the GASB issued a revised codification of governmental accounting and financial reporting standards. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government.

The District prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 1100 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 District, a component unit of the STATE.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

General Fund

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

Debt Account Groups

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

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement

C. BASIS OF ACCOUNTING (continued)

Focus applied. The District's records are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting all revenue is recognized when measurable and available rather than when earned, and all expenditures are recognized when the obligation is incurred.

D. BUDGET PRACTICES

Budgets are prepared and adopted by the District annually. The budget for fiscal year ended June 30, 1997 was adopted at the March 15, 1996 District meeting and the budget for fiscal year ending June 30, 1998 was adopted at the March 13, 1997 District meeting.

The District amended the budget for fiscal year ended June 30, 1996 once on June 12, 1996. The District amended the budget for fiscal year ended June 30, 1997 once on August 15, 1997. Budgets are prepared on the modified accrual basis of accounting, including the changes in fund balances.

The District does not follow the encumbrance 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 District may deposit funds within a financial agent bank selected and designated by the commissioners. Further, the District 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.



B. CASH AND CASH EQUIVALENTS (Continued)

As reflected on the balance sheet, the District had cash and cash equivalents totaling \$148,745 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 or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. As of June 30, 1997, the amount on deposit was secured as follows:

	<u>Cash</u>
Carrying Amount on Balance Sheet	<u>\$148,745</u>
Bank Balances:	
1. Insured (FDIC)	\$100,000
2. Uninsured, including any securities held for the entity but not in the entity's name	<u>148,745</u>
Total Bank Balances	<u>\$148,745</u>

E. SICKTIME AND SICK LEAVE

The District 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 88 hours of regular duty.

Accrued unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave must be applied for by the employee and may be used only when approved by the District. Upon retirement or resignation, unused annual leave of up to 160 hours is paid at the employee's current rate of pay.

F. VACATION AND SICK LEAVE (continued)

Upon retirement or resignation, the employee is not paid for any unused sick leave. Annual leave in excess of 100 hours and sick leave are used in the retirement benefit computation as earned service.

As June 30, 1999, the employees of the District had accumulated and vested \$10,643 of employee leave benefits, which was computed in accordance with GASB Codification Section 640, 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. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

H. 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 follows:

	July 1, 1998	additions	deletions	June 30, 1999
Land	\$ 157,586	\$ -	\$ -	\$ 157,586
Buildings	43,721	-	-	43,721
Equipment	838,268	24,882	(112,013)	851,137
Total	\$ 1,039,575	\$ 24,882	\$ (112,013)	\$ 1,052,444

  

	July 1, 1998	additions	deletions	June 30, 1999
Land	\$ 157,586	\$ -	\$ -	\$ 157,586
Buildings	43,721	-	-	43,721
Equipment	838,268	21,480	(148,333)	811,415
Total	\$ 1,039,575	\$ 21,480	\$ (148,333)	\$ 1,022,722

### 3. PENSION PLAN

The District's employees participate in the Louisiana State Employees' Retirement System (LSERS). The employee contribution is 3.26 of gross salary for each year presented. Additional information for each year is as follows:

	<u>For fiscal year ended</u>	
	<u>June 30, 1996</u>	<u>June 30, 1997</u>
District's contribution percentage	12%	12.4%
Employee contributions	\$18,441	\$17,873
District's contributions	38,328	39,189
Payroll subject to retirement	245,874	235,696

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

### 4. LEASES

The District rents office space under a month-to-month arrangement. The rent expense is included in operating expenditures and the total rent expense for the fiscal years ended June 30, 1996 and 1997 was \$3,800 and \$3,600, respectively.

Additionally, the District leases equipment under two capital leases. The following is a schedule of the minimum lease payments including the present value of the minimum lease payments at June 30, 1997:

<u>Year ending June 30,</u>	
1998	\$ 80,115
1999	93,323
2000	<u>68,232</u>
Total minimum lease payments	194,700
Less carrying charges	<u>33,681</u>
Present value of minimum lease payments	<u>\$161,019</u>

#### F. GENERAL LONG-TERM OBLIGATIONS

Long-term obligations reported to be financed from governmental funds are accounted for in the general long-term debt account group, net in the governmental funds.

The following is a summary of the long-term debt transactions during the years ended June 30,:

	<u>1996</u>	<u>1997</u>
Long-term obligations payable, beginning of fiscal year	\$ 208,118	\$ 216,066
Principal payments on capital leases	(83,388)	(62,297)
Increase in liability for compensated absences	<u>1,226</u>	<u>300</u>
Long-term obligations payable, end of fiscal year	<u>\$ 125,956</u>	<u>\$ 174,069</u>

#### G. RELATED PARTY TRANSACTIONS

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

#### H. LITIGATION

As June 30, 1997, the District was involved in legal proceedings and litigation arising in the normal course of business. In the opinion of management the outcome of the proceedings and litigation will not materially affect the DISTRICT's financial position.

**Zahn, Kenney & Brosette**  
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**

Fifth Louisiana Levee District  
State of Louisiana  
Tulach, Louisiana

We have audited the financial statements of the Fifth Louisiana Levee District (District), a component unit of the 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 December 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. 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 District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District'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 District management and the legislative Audit Advisory Committee. However, this report is a matter of public record and its distribution is not limited.

**Zahn, Kenney & Brosette**

Metairie, Louisiana  
September 18, 1997

**Zahn, Kenney & Bresette**  
Certified Public Accountants

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

Fifth Louisiana Levee District  
State of Louisiana  
Tulachah, Louisiana

We have audited the financial statements of the Fifth Louisiana Levee District (District), a component unit of the 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 30, 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.

In planning and performing our audit of the financial statements of the District, 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 District is responsible for establishing and maintaining 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 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 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 District, for the years ended June 30, 1998 and 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.

We noted a matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements. We consider the following to be a reportable condition:

Because the District has only one employee who handles all accounting duties, the segregation of duties which exists is inconsistent with appropriate control objectives. This occurs because it is not financially feasible for the District 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 statement 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 District on a separate letter dated September 10, 1997.

This report is intended for the information of District 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.

*John T. Kelly & Associates*  
 Metairie, Louisiana  
 September 10, 1998

FIFTH LOUISIANA LEVEE DISTRICT  
 STATE OF LOUISIANA  
 SCHEDULE OF FEE DUES PAID BOARD MEMBERS  
 FOR THE FISCAL YEAR ENDED JUNE 30,

<u>Name</u>	<u>1934</u>	<u>1935</u>
R. Kinsey	\$ 178	\$ -
F. Bacon	1,215	877
F. Beeks	473	400
C. Woodman	1,148	110
J. Kessler	338	600
J. Kelly	1,062	1,088
E. Akers	135	-
E. Calhoun	667	600
C. Williamson	-	608
B. Maxwell	-	1,082
Total	<u>42,133</u>	<u>48,353</u>



**Zahn, Kenney & Brescne**  
Certified Public Accountants

Fifth Louisiana Levee District  
State of Louisiana  
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of the Fifth Louisiana Levee District (District) for the fiscal years ended June 30, 1985 and 1987, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We previously reported on the District's internal control structure in our report dated September 30, 1987. This letter does not affect our report dated September 30, 1987 on the financial statements of the District. However, during our audit, we noted the following items that are opportunities for strengthening internal controls and operating efficiency.

- 3.1 **CRITERIA:** Good internal control requires segregation of duties between the authorizing of transactions, the recording of transactions and the safeguarding of assets.

**CONDITION:** The administrative assistant for the District is the sole office employee. This position handles all financial aspects of the District. The incumbent has access to all District funds, records all receipts and disbursement transactions, makes all bank deposits, writes all checks, signs checks and reconciles the bank statements.

**CAUSE:** The District only requires one administrative employee and has not established procedures to off-set the lack of segregation of duties.

**EFFECT:** Due to lack of oversight, errors or irregularities could occur and not be "caught" in the normal operations of the office.

**RECOMMENDATION:** The District should consider establishment of procedures to modify the accounting and reporting functions monthly as follows:

- a.) Separate the duties of preparation of checks from the signing of same. All checks could require the original signature of a District Commissioner. The approved levator should be examined by the check signer prior to signing the check. Dual signatures are not necessary as long as the signer and the preparer are separate persons.
- b.) The monthly bank reconciliation should be prepared by someone other than the administrative assistant. This could be accomplished by having the District treasurer receive the bank

statements prepared and perform the reconciliation. If this is not feasible, perhaps the District could contract with a fee accountant to perform this duty monthly.

- c.) The recording of receipts and disbursements should be reviewed monthly to assure proper classification and amount. This could be done by the treasurer or by the contracted fee accountant. Entries to the cash receipts journal could be compared to the remittance advice for proper account classification and amount. The cash disbursements journal could be compared to the approved invoice for proper paper, amount and account classification.
  - d.) All journal entries should be reviewed and approved by signature of the treasurer. The journal entries should then be filed through to the accounting records to assure proper reconciliation.
- 2.) **CRITERIA:** Checks requiring dual signatures should be signed by both required signers.

**DEFICIENCY:** Currently, the administrative assistant has the signature stamp for the second signer and simply stamps the signature on the check. Since the administrative assistant is the signer and has the stamp for the other signer, in essence only one person is signing the checks. To further dilute any controls this function would add, the administrative assistant also controls the checkbook and records all transactions.

**CAUSE:** The lack of a policy regarding the necessity that someone other than the administrative assistant review and sign all checks.

**EFFECT:** Weakness in the internal controls over cash which could allow defalcations to occur and not be "caught" in the normal operations of the District.

**RECOMMENDATION:** Require the original signature of a District Commissioner on all checks. Dual signatures not required.

- 3.) **CRITERIA:** The District should have written contracts for any labor performed by prison labor. Such contracts should cover payment and liability issues which may arise from the performance of such labor.

**DEFICIENCY:** The District uses prisoners as free labor during the flood season in one of the parishes for which it provides protection. This is done through a verbal agreement with the warden of the prison.

**CAUSE:** The lack of a policy regarding the need for written contract under such circumstances.

**EFFECT:** It is uncertain as to the District's liability should a prisoner be injured or killed during the performance of such labor.

**RECOMMENDATION:** The Board should require contracts with the prison for all such free labor. These contracts should be drawn up by the District's attorney to define the District's rights and responsibilities with regards to the prisoners, if any.

4.) **CRITERIA:** Good internal controls require that all purchases be approved by someone other than the user of the item being purchased.

**CONCLUSION:** Many of the District's purchases of parts and equipment repairs are done by the personnel in the field without additional approval.

**CAUSE:** The distances to the work sites and the necessity to keep equipment operating without delay requires that such purchases take place.

**EFFECT:** There is limited control over purchases made in this manner. Repairs and parts could be purchased which were unnecessary or which were for personal use of the purchaser.

**RECOMMENDATION:** The District should establish procedures to closely monitor all such purchases. A comparison of such purchases for each month with purchases of the same sort for the prior month and the same month of the prior year could locate any significant variances. These variances could be investigated for appropriateness of the purchases. Additionally, all such purchases in excess of a pre-set dollar limit--\$1,000--could be investigated. These analyses should be done monthly.

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

**John Henry D'Arlette**

McNair, Louisiana  
September 20, 1987