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**LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
STATE OF LOUISIANA**

**General Purpose Financial Statements
and Independent Auditors' Reports**

As of June 30, 1998

and

For the Years Ended June 30, 1995 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. This report is available for public inspection at the Comptroller General's office of the Legislative Auditor General, where appropriate, at the office of the parish clerk of court.

Released Date Oct 07 1998

GEORGE F. DELAUNE
LEROY J. CRUZ
Certified Public Accountants

**STATE BOARD OF PRIVATE SECURITY EXAMINERS
11848 S. HARKELL'S FERRY ROAD, SUITE D
BATON ROUGE, LA 70679-6510
(225) 286-8498**

GOVERNING BOARD

District 1	Loretta L. Bickerstaff, Bickerstaff Services, Inc., Metairie, LA
District 2	Roseella S. Chozen, Southern Guard Service, LaBrosse, LA
District 3	Paul Straffeo, Professional Security Training, New Orleans, LA
District 4	Charles F. Baglio, St. Landry Security & Guard Service, Lacombe, LA
District 5	Paul Brownell, Mid South Security, Inc., Shreveport, LA
At Large	Louis Garvish, New Orleans Private Patrol, New Orleans, LA
At Large	Elaine Sabagan, Merchants Security Services, Inc., Metairie, LA
At Large	James "Gib" Komers, Hub Enterprises, Lafayette, LA
At Large	Ralph White, Wison Security Services, Baton Rouge, LA
Ex-Officio	Col. W. E. "Bud" Whittington, Dept. of Public Safety, Office of State Police

EXECUTIVE SECRETARY

Wayne R. Baglio

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GEORGE F. DELAUNE
LEROY J. CHUSTZ*
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Louisiana State Board of
Private Security Examiners
Baton Rouge, Louisiana

We have audited the accompanying general purpose financial statements of the LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS, a component unit of the Department of Public Safety, State of Louisiana, as of June 30, 1998, and for the years ended June 30, 1998 and 1997, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Louisiana State Board of Private Security Examiners' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Board of Private Security Examiners, as of June 30, 1998, and the results of its operations for the years ended June 30, 1998 and 1997, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 1998, on our consideration of the Louisiana State Board of Private Security Examiners' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

George F. Delaune, CPA

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Leroy J. Chustz, CPA

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September 11, 1998

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**LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998**

ASSETS	Governmental	Account Groups		Total (Governmental + All Account Groups)
	Fund Type	General	General Long Term Debt	
	General	Fund Items	Fund Items	
Cash	121,667			121,667
Receivables -				
Accrued interest	1,290			1,290
Property, Plant and Equipment -				
Furniture and fixtures		620,444		620,444
Computer and equipment		76,644		76,644
Automobile		29,185		29,185
Amounts to be provided for liquidation of Contingent liabilities			14,062	14,062
TOTAL ASSETS	122,957	726,273	284,124	1,133,354
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	11,441			11,441
Accrued liabilities -				
Salaries	1,790			1,790
Payroll deductions and accruals	7,044			7,044
Contingent liabilities			14,062	14,062
Total Liabilities	20,275		14,062	34,337
Fund Equity:				
Investments in general fund assets		112,295		112,295
Fund balances -				
Unreserved -				
Unassigned	286,627			286,627
Total Fund Equity	286,627	112,295		398,922
TOTAL LIABILITIES AND FUND EQUITY	306,902	838,568	144,124	1,290,594

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
Revenues:		
Recruitment fee -		
Company	114,380	111,148
Candidates	39,080	34,078
Application fee -		
Guard	145,790	149,880
Inspector	340	1,280
License fee -		
Company	9,840	7,280
Transfer fee -		
Guard	5,420	12,670
Inspection -		
Classroom	3,920	5,030
Fluorine	3,325	3,525
Baton	680	700
Other fee -		
Examination	2,075	2,775
Fees	75,574	63,091
Fingerprint	98,425	98,180
Miscellaneous	3,980	9,800
Miscellaneous revenues:		
Other	1,410	3,311
Interest Income	8,689	18,447
Total Revenues	411,402	414,569

The accompanying notes are an integral part of this statement.

	1998	1997
Expenditures		
Current operating -		
Board members expenses	8,437	6,321
Salaries and benefits -		
Salaries	170,691	173,021
Pensions	22,130	18,994
Payroll taxes	8,136	6,627
Group medical insurance	6,755	1,725
Unemployment	882	1,569
Professional services -		
Accounting	6,120	6,120
Contract labor		130
Legal fees	11,124	12,015
Investigations	13,411	15,378
Repairs -		
Building	26,626	24,277
Equipment	4,048	3,875
Other purchased services -		
Insurance	17,243	17,306
Telephone	6,638	5,534
Advertising	19	91
Printing	4,020	4,387
Travel	1,242	1,178
Membership	415	334
Education	40	1,118
Maintenance and supplies -		
Repairs and maintenance	2,149	2,868
Sales expense	3,748	2,224
Computer expense	4,328	9,888
Office supplies	3,746	18,500
Postage	1,475	8,441
Miscellaneous	627	1,562
Total Current Operating	397,463	381,009
Capital outlays	1,274	49,745
Total Expenditures	398,737	430,754
Excess of Revenues Over Expenditures	15,684	(13,275)
Fund Balance - July 1	275,531	288,428
FUND BALANCE - June 30	291,215	275,153

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (GAAP BASIS) - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 1998

Revenues:	Budget	Actual	Variance Favorable (Unfavorable)
Received fees -			
Company		\$74,380	\$74,380
Guards	\$68,000	39,800	(28,200)
Application fees -			
Guard	174,000	169,790	(4,210)
Inspector	700	340	(360)
License fees -			
Company	36,000	3,640	(32,360)
Transfer fees -			
Guard	6,300	3,400	(2,900)
Inspections -			
Classroom	4,200	3,990	(210)
Reserve	3,600	3,326	(274)
Basis	900	460	(440)
Other fees -			
Examinations	2,300	2,375	75
Fees	60,000	70,534	10,534
Fingerprint	60,000	58,426	(1,574)
Miscellaneous	18,000	8,980	(9,020)
Miscellaneous revenues -			
Other	3,300	3,412	112
Income increase	15,000	8,000	(7,000)
Total Revenues	<u>956,000</u>	<u>922,418</u>	<u>(33,582)</u>

The accompanying notes are an integral part of this statement.

	Budget	Actual	Variance Favorable (Disadvantage)
Expenditures			
Current operating -			
Board members per diem and expenses	11,000	8,407	2,593
Salaries and benefits -			
Salaries	170,487	170,487	5,031
Retirement	21,484	22,130	(726)
Payroll taxes	6,880	8,136	(1,256)
Group medical insurance	3,000	4,753	(1,753)
Unemployment		362	(362)
Professional services -			
Accounting	3,000	3,120	(120)
Cost est. services	1,000		1,000
Legal fees	24,000	11,134	12,866
Investigations	15,000	15,411	(411)
Rentals -			
Building	24,780	26,026	(1,246)
Equipment	3,600	4,048	(448)
Other purchased services -			
Insurance	17,250	17,910	(660)
Telephone	4,000	3,638	362
Advertising	121	17	104
Printing	4,000	4,001	(1)
Travel	3,000	1,740	1,260
Membership	300	415	(115)
Education	2,000	40	1,960
Maintenance and supplies -			
Repairs and maintenance	5,000	5,168	(168)
Auto repairs	2,000	2,748	(748)
Computer expense	2,000	4,626	(2,626)
Office supplies	6,500	2,798	3,702
Postage	8,000	9,878	(1,878)
Miscellaneous	1,500	627	873
Total Current Operating	46,146	207,450	16,794
Capital outlays		1,074	(1,074)
Total Expenditures	46,146	208,524	17,420
Excess of Revenues Over Expenditures	3154	11,684	(8,530)
Fund Balance - July 1, 1997		271,150	
FUND BALANCE - JUNE 30, 1998		\$286,680	

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (GAAP BASIS) - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 1997

Revenues:	Budget	Actual	Variance Favorable (Unfavorable)
Receival fees -			
Company		\$32,160	\$32,160
Guards	\$40,000	34,250	(\$5,750)
Application fees -			
Guard	\$71,000	\$69,280	(\$1,720)
Instructor	700	1,280	680
License fees -			
Company	31,800	7,400	(\$24,400)
Transfer fees -			
Guard	6,500	17,670	6,170
Insurances -			
Classroom	4,000	5,000	1,000
Firearm	1,000	3,000	2,000
Race	700	700	000
Other fees -			
Examination	2,200	2,775	575
Fees	54,000	62,091	7,091
Fingerprint	60,000	58,100	(\$1,900)
Miscellaneous	18,000	9,600	(\$8,400)
Miscellaneous revenue -			
Other	1,400	3,541	2,141
Interest income	13,350	16,447	3,097
Total Revenues	\$44,450	\$41,567	(\$2,883)

The accompanying notes are an integral part of this statement.

	Budget	Actual	Variance Favorable (Disadvantage)
Expenditures:			
Current operating -			
Board members per diem and expenses	12,000	6,302	5,698
Salaries and benefits -			
Salaries	215,448	218,005	5,435
Retirement	28,512	18,994	1,518
Payroll taxes	6,800	6,629	1,171
Group medical insurance	3,000	3,775	1,225
Unemployment		3,350	(3,350)
Professional services -			
Accounting	6,000	6,125	(125)
Contract services	3,000	110	2,890
Legal fees	24,000	32,027	(8,027)
Investigations	15,000	18,378	(3,378)
Repairs -			
Building	33,250	34,279	(1,029)
Equipment	3,000	3,000	-
Other purchased services -			
Insurance	27,200	27,200	-
Telephone	6,000	5,534	466
Advertising	125	91	34
Printing	6,000	4,982	1,018
Travel	3,000	1,278	1,722
Membership	500	501	(1)
Banquets	3,000	1,278	1,722
Maintenance and supplies -			
Repairs and maintenance	5,000	2,868	2,132
Auto-expense	2,000	2,234	(234)
Computer expense	2,500	9,884	(7,384)
Office supplies	6,500	10,300	(3,800)
Postage	8,000	8,441	(441)
Miscellaneous	1,000	1,302	(302)
Total Current Operating	<u>408,275</u>	<u>562,099</u>	<u>153,824</u>
Capital outlays	<u>53,735</u>	<u>45,345</u>	<u>8,390</u>
Total Expenditures	<u>462,010</u>	<u>607,444</u>	<u>145,434</u>
Balance (Deficiency) of Revenue Over Expenditures	<u>(249,321)</u>	<u>(93,274)</u>	<u>(156,047)</u>
Fund Balance - July 3, 1986		<u>285,428</u>	
FUND BALANCE - JUNE 30, 1987		<u>192,154</u>	

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 1 - INTRODUCTION

The Louisiana State Board of Private Security Examiners (the "Board") is a component unit of the State of Louisiana created within the Louisiana Department of Public Safety and Corrections, as provided by Louisiana Revised Statute 37:3170-3176. The governing board is composed of nine members appointed by the governor, who serve at the pleasure of the governor for a term commensurate with the term of office of the governor appointing him, except that each member shall serve until his successor has been appointed and begins serving. One member shall be appointed from and shall reside in each of the five public service commission districts established by law. Four members shall be appointed from the state at large. Each member shall be a citizen of the United States, a resident of Louisiana, at least thirty years of age, and shall have been actively engaged in the private security business for at least five years. One of the members appointed at large shall be a representative of a nationally operated security company. Each member shall be licensed or registered with the board or a corporate officer of a licensed company. The Board is charged with the responsibility to license and regulate the contract security industry in the state. Operations of the Board are funded through collections of fees and fines.

As required by law, the Board is domiciled at 11848 E. Harrell's Ferry Road, Suite D, Baton Rouge, LA 70879-4510, telephone (504) 795-8486.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bank of America

In April 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 state and local governmental entities. In June of 1987, the GASB issued a revised Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The Board prepares its financial statements in accordance with the standards established by the GASB.

Reporting Entity

GASB Codification Section 2000 and GASB Statement 14, "The Financial Reporting Entity," establishes criteria for determining the governmental reporting entity and has defined the

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1998

governmental reporting entity to be the State of Louisiana. The accompanying financial statements present only transactions of the Louisiana State Board of Private Security Examiners, a component unit of the State of Louisiana.

Annually the State of Louisiana issues general purpose financial statements which includes 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.

Basis of Accounting

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

Governmental Funds

Governmental funds account for all or most of the Board's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

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

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1998

Revenues

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which is recognized when paid.

Budget Process

During the 1989 Regular Legislative Session, the Louisiana Licensing Agency Budget Act (Act. 753) was passed which amended Louisiana Revised Statutes 58:1511 through 1542. The intent of this legislation is to provide for full disclosure of the proposed budget and financial information of licensing agencies through review by the Legislature of submitted budget documents. LSA-R.S. 58:1513 provides that each licensing agency shall annually prepare a comprehensive budget presenting a complete financial plan for the ensuing fiscal year. LSA-R.S. 58:1525 provides that a copy of this budget be submitted to the Joint Legislative Committee on the Budget, the Legislative Auditor, the Legislative Fiscal Office, and each chairman of a standing committee of the legislature having jurisdiction as listed in R.S. 48:568.

Annually, the Board adopts the budget for the General Fund which is submitted in accordance with LSA-R.S. 58:1515. The budget for the General Fund is prepared on the accrual basis.

All budget appropriations lapse at the end of each fiscal year.

All budget amendments must be approved by the Board.

Budgeted amounts for the fiscal year ended June 30, 1997, are as amended on November 13, 1996. Budgeted amounts for the fiscal year ended June 30, 1998, are as adapted on November 30, 1996.

Circumstances

The Board does not follow the circumstances method of accounting.

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1998

Cash

Cash includes petty cash, demand deposits, interest-bearing demand deposits, and money market accounts. Under state law, the Board may deposit funds with a bank organized under Louisiana law or of any other state of the United States, or under the laws of the United States. Furthermore, the Board may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Bad Debt

The Board uses the direct charge-off method whereby uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The direct charge-off method is used because it does not cause a material departure from GAAP and it approximates the valuation method.

Inventories

Inventories for supplies are considered immaterial and are recorded as expenditures when purchased.

Fixed Assets

General fixed assets have been acquired or constructed for general governmental purposes and are recorded at historical cost. Donated fixed assets are valued at their fair market value on the date donated. The cost of additions includes contractual work, direct labor, materials and allowable costs. Significant additions, improvements, maintenance and repairs are capitalized. Assets are recorded as expenditures in the governmental funds and capitalized at cost in the General Fixed Assets Account Group. No depreciation has been provided on general fixed assets.

Compensated Absence

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 1998

The cost of leave privileges, computed in accordance with GASB Codification Section 646, is recognized as a current year expenditure in the General Fund when leave is actually taken. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in the general long-term obligations account group.

Fund Equity

The unreserved-undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Reservations and designations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

Total Columns on Combined Statements

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

NOTE 3 - CASH

As June 30, 1998, the Board has cash (bank balances) as follows:

Petty cash	\$150
Demand deposits	143,889
Money market account	51,528
Certificates of deposit	100,000
Total	\$297,667

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance as the pledge of securities owned by the fiscal agent banks. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agents. These securities are held in the name of the pledging fiscal agent bank in a holding or collateral bank that is mutually acceptable to both parties.

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1998

As June 30, 1998, the Board has deposits (collected bank balances) secured from risk as follows:

Collected bank balances	\$203,867
Federal deposit insurance	353,328
Pledged securities	355,113
Uninsured/under pledged	80

These pledged securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Board that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 - CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	Furniture	Computers	Auto	Total
Balance - July 1, 1996	\$19,138	\$45,329	\$13,967	\$78,434
Additions	1,321	30,148	14,274	45,743
Deletions				
Balance - June 30, 1997	20,459	75,477	28,183	124,119
Additions		1,274		1,274
Deletions				
Balance - June 30, 1998	\$20,459	\$76,651	\$28,183	\$125,293

NOTE 5 - LEASE COMMITMENT

On July 19, 1993, the Board entered into a lease agreement for office space which was to expire on July 31, 1997. A mutual agreement was made on November 30, 1996, to terminate the lease with the approval of the Division of Administration. On December 3, 1996, the Board entered into a lease for 3,686 square feet of office space at the rate of \$3,289.09 per month. The monthly rental includes

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1998

all utilities such as electricity, gas, water, sewer, septic tank service, trash/garbage pickup and disposal, and complete janitorial services, including restrooms and custodial supplies. The agreement expires on November 30, 2000, with no option to renew; however, the agreement has provisions for termination by 60-day written notice.

As June 30, 1998, the Board was obligated in the amount of \$1,089,000 per month or an annual total of \$13,068,000.

NOTE 4 - COMPENSATED ABSENCES

As June 30, 1998, employees of the Board have accumulated and vested \$14,062, of employee leave benefits, which was computed in accordance with GASB Codification Section 206. This amount is recorded in the general long-term obligations account.

NOTE 7 - RETIREMENT SYSTEM

Plan Description: Substantially all employees of the Board are members of the Louisiana State Employees Retirement System (System), a multiple-employer, public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of state employees and other political subdivisions, which is administered and controlled by a separate board of trustees.

All full-time Board employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$500 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees Retirement System, P. O. Box 44213, Baton Rouge, LA 70804-4213 or by calling (504) 933-0400.

Funding Policy: Covered employees are required by state statute to contribute 7.5% of gross salary to which the Board adds an 11.9% contribution as an employer's match. Contributions of participating state agencies are pooled within the System to fund accrued benefits with contribution rates

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1998

approved by the Louisiana Legislature. The Board's contributions to the System for the years ended June 30, 1998, 1997, and 1996, were \$22,132, \$48,994, and \$14,983, respectively, equal to the required contributions for each year.

NOTE 8 - LITIGATION AND CLAIMS

As June 30, 1998, legal counsel for the Board states that there are no material or threatened litigation, claims or assessments against the Board except the following:

Dorely Michelin v. Scherwing Security Services, Inc., et al, Suite No. 93-7533, Division "A", Civil District Court, Parish of Orleans, State of Louisiana - This suit arises out of an alleged attack by a security guard licensed by the Board. The Attorney General's office is handling the file. The Attorney General's office states that the matter is still pending and that they estimate the potential liability could be in the area of \$50,000.00.

J & S Security and Investigation v. Louisiana State Board of Private Security Examiners, Suite No. 98746, Division "A", 18th Judicial District Court, East Baton Rouge Parish, Louisiana - This suit was filed against the Board in July 1993, seeking an injunction enjoining the Board from collecting fines and administrative costs totaling \$1,882.00 and requiring the Board to produce certain records, which it has done. The litigation has been dormant for sometime and the plaintiff made no effort to move this case forward.

NOTE 9 - COMPENSATION PAID TO BOARD MEMBERS

Board members do not receive a per diem for meetings attended, but are reimbursed for actual expenses incurred per LSA-R.S. 39:3273 (A)(1).

NOTE 10 - FEDERAL FINANCIAL ASSISTANCE

The Board received no federal financial assistance for the years ended June 30, 1998 and 1997.

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**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

GEORGE F. DELAUNE
LIEBOW J. CHRISTZ*
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

Louisiana State Board of
Private Security Examiners
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS (the "Board"), a component unit of the Department of Public Safety, State of Louisiana, as of June 30, 1998, and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated September 31, 1998. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

Compliance

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting 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 over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Board's ability to record, process, summarize and report financial data consistent with the assertions of

management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 97/98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

George F. Robinson, CPA

7663 Anchor Drive
Metairie, LA 70003
(225) 886-3187

Larry J. Elliott, CPA

* A Professional Corporation
P. O. Box 158
Deerhorn Springs, LA 70727
(225) 465-3102

September 13, 1998

STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 1998 AND 1997

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of State Board of Private Security Examiners.
2. One instance of reportable conditions was disclosed during the audit of the general purpose financial statements.
3. No instance of noncompliance was disclosed during the audit.
4. There were no federal awards received by State Board of Private Security Examiners.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

Reportable Condition

9998-1: Adopted Budget was Not Monitored

Condition

The agency contracted with an outside accounting firm to prepare quarterly financial statements comparing operations to the adopted budget. Our review of these quarterly financial statements for both years found that the adopted budget was not compared to operations.

Criteria

Louisiana Revised Statute 79:1331-1342 controls the budget operations of the Board. Consequently, the budget must be monitored against operations on a regular basis to insure that the Board complies with the Louisiana Licensing Agency Budget Act.

Effect

The quarterly financial statements comparing operations to the adopted budget were erroneous; consequently, the adopted budget was not being monitored.

Recommendation

The Board should instruct the accounting firm to present them with financial statements comparing operations to the adopted budget or amended budget, if amended.

Response

The Board concurs with the recommendation and they have instructed the accounting firm to present them with financial statements which allows the budget to be monitored accordingly.



Louisiana
State Board of Private Security Examiners

W. J. "BOB" WOODS, JR.
Governor

WALTER S. BUCKLETT
Executive Secretary

CORRECTIVE ACTION PLAN

September 28, 1998

Legislative Auditor
State of Louisiana

State Board of Private Security Examiners respectfully submits the following corrective action plan for the years ended June 30, 1998 and 1997.

Name and address of independent (public) accountants (joint venture)

George P. Delaney, CPA

7665 Anchor Drive
Vernon, LA 70783
(225) 638-5387

Levy J. Ghinn, CPA

* A Professional Corporation
P. O. Box 158
Donham Springs, LA 70727
(225) 665-1122

Audit period: July 1, 1996 to June 30, 1998

The finding from the June 18, 1998 schedule of findings is discussed below. The finding is numbered consistently with the number assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

Reportable Condition

17/18-1: Adopted Budget was Not Monitored

Recommendation

The Board should instruct the accounting firm to present them with financial statements comparing operations to the adopted budget or amended budget, if amended.

Action Taken

We concur with the recommendation and it was implemented effective September 29, 1998.

If the Legislative Auditor has questions regarding this plan, please call me at (215) 295-8486.

Sincerely yours,


Wayne R. Rogillo, Executive Secretary