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**Vermont Parish Tax Agency Fund
Of the Vermont Parish School Board
Lacombe, Louisiana**

**Financial Statements and
Independent Auditor's Report
As of and for the Year Ended June 30, 1999**

This presentation of state tax, this report is a public document. A copy of the report has been submitted to the auditor, or reviewer, entity and other appropriate public officials. This report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Printed Date FEB 2 2000

Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Louisville, Louisiana

Financial Statements and Independent Auditors' Report
As of and for the Year Ended June 30, 1999

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Independent Auditors' Report

Board Members
Vermore Parish School Board
Terreville, Louisiana

We have audited the financial statements of the Vermore Parish Tax Agency Fund of the Vermore Parish School Board as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the Vermore Parish School Board'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 the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Vermore Parish Tax Agency Fund and are not intended to present fairly the financial position and results of operations of the Vermore Parish School Board, in conformity with generally accepted accounting principles.

The year 2000 information on page 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB) Technical Bulletin (TB) 98-1, *Disclosures About Year 2000 Issues* - an amendment of Technical Bulletin 98-1. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Tax Agency is or will become year 2000 compliant, that the Tax Agency's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Tax Agency does business are or will become year 2000 compliant.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities of the Vermore Parish Tax Agency Fund of the Vermore Parish School Board, as of June 30, 1998, and the changes in assets and liabilities for the year then ended.

Board Member
Vernon Parish School Board
Lafayette, Louisiana

In accordance with Government Auditing Standards, we have also issued a report dated September 22, 1999, on our consideration of the Vernon Parish Tax Agency Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying **OTHER INFORMATION**, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Vernon Parish Tax Agency Fund of the Vernon Parish School Board. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Morris, Louisiana
September 22, 1999

Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Lafayette, Louisiana

Statement A

Statement of Assets and Liabilities
June 30, 1999

ASSETS

Cash

NONE

Total Assets

NONE

LIABILITIES

Deposits due others

NONE

Total Liabilities

NONE

Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Lafayette, Louisiana

Statement B

Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 1999

	Balance July 1, 1998	Additions	Debitations	Balance June 30, 1999
ASSETS				
Cash	\$ <u> </u>	<u>\$14,465,738</u>	<u>\$14,465,738</u>	\$ <u> </u>
LIABILITIES				
Deposits due others	\$ <u> </u>	<u>\$14,465,738</u>	<u>\$14,465,738</u>	\$ <u> </u>

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Lafayette, Louisiana**

**Notes to the Financial Statements
For the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vernon Parish Tax Agency Fund has been formed under joint agreement of the Vernon Parish School Board, the Vernon Parish Police Jury, the City of Lafayette, the Board of New Orleans, the Town of Bogalusa and the Town of Hamboeck for the collection of sales, use taxes and other fees, in accordance with Louisiana Revised Statutes 33:2844.

A. REPORTING ENTITY

For financial reporting purposes, in conformance with GASB Statement No. 14, the Vernon Parish Tax Agency Fund is an agency fund of the Vernon Parish School Board. Accordingly, the accompanying financial statements present only the accounts of the tax agency fund and are not intended to present fairly the financial position and results of operations of the Vernon Parish School Board in conformity with generally accepted accounting principles. The Vernon Parish Tax Agency Fund is included as part of the general-purpose financial statements of the Vernon Parish School Board.

B. FUND ACCOUNTS

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term obligations) that are not recorded in the "fund" because they do not directly affect net expendable available financial resources. They are recorded only with the measurement of financial position, not with the measurement of results of operations.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The tax agency fund requires the use of a fiduciary fund as described below:

Fiduciary Fund — Sales Tax Collection Agency Fund Type

The Vernon Parish Tax Agency Fund is used to account for the collection and distribution of sales and use taxes imposed by the various taxing authorities within the parish. The agency fund is essential in raising (passing equal liabilities) and does not involve measurement of results of operations.

Vermont Parish Tax Agency Fund
Of the Vermont Parish School Board
Larsonville, Louisiana

Notes to the Financial Statements
For the Year Ended June 30, 1989

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. FIXED ASSETS AND LONG-TERM OBLIGATIONS

Fixed assets used by the tax agency are accounted for in the private fund asset account group of the Vermont Parish School Board. The tax agency has no long-term obligations at June 30, 1989.

D. BASIS OF ACCOUNTING

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements for these funds present revenues (i.e., revenues and other financing sources) and disbursements (i.e., expenditures and other financing uses) to net current assets.

The basis of accounting for an agency fund is the modified accrual basis. The measurement focus is custodial, since the fund is not involved with the performance of governmental activities. An agency fund has no revenues or expenditures and therefore there is no fund balance or need to measure the results of operations for a period.

E. BUDGETS

The custodial nature of an agency fund means there is no need to adopt a budgetary accounting system, therefore one has not been adopted.

F. VACATION, SICK LEAVE, AND PENSION PLANS

Employees at the Vermont Parish Tax Agency Fund are employed by the Vermont Parish School Board. The School Board is obligated for leave benefits and contributions to the pension system. Information on leave benefits and pension plans is available in the general-purpose financial statements of the Vermont Parish School Board for the year ended June 30, 1989.

**Vermont Parish Tax Agency Fund
Of the Vermont Parish School Board
Lenoirville, Louisiana**

**Notes to the Financial Statements
For the Year Ended June 30, 1999**

NOTE 2 - CHANGES IN DEPOSITS DUE OTHERS

A summary of changes in deposits due others is as follows:

BALANCE, JULY 1, 1998	\$	-
ADDITIONS:		
Sales tax collections		<u>34,862,735</u>
DEDUCTIONS:		
Taxes distributed to others:		
Vermont Parish School Board		6,878,585
Vermont Parish Police Jury		5,678,789
City of Lenoirville		1,718,046
Town of New Llano		96,821
Town of Rayaplan		82,017
Town of Warwick		<u>14,856</u>
Total deductions		<u>14,862,735</u>
BALANCE, JUNE 30, 1999	\$	<u> </u>

NOTE 3 - COMMITMENTS AND CONTINGENCIES

The Vermont Parish Tax Agency is not involved in any litigation at June 30, 1999, nor is it aware of any unasserted claims.

Vernon Parish Sales Tax Agency Fund
Of the Vernon Parish School Board
Lafayette, Louisiana

REQUIRED SUPPLEMENTAL INFORMATION

**Vernon Parish Sales Tax Agency Fund
Of the Vernon Parish School Board
Lafayette, Louisiana**

**Required Supplemental Information
June 30, 1999**

On March 29, 1999, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin (TB) 99-1, *Disclosures about Year 2000 Issues - an amendment of Technical Bulletin 98-1*. This amendment, among other things, provides that required year 2000 disclosures may be reported as required supplementary information. The Vernon Parish Sales Tax Agency reported the year 2000 disclosures as required supplemental information.

Year 2000 Information

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operation.

The Vernon Parish Sales Tax Agency has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that is necessary to maintaining the Vernon Parish Sales Tax Agency's operations. This system is financial reporting.

As of June 30, 1999, the financial reporting system had been assessed and remediated by the vendor. Validation and testing of this system has been completed by the vendor.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Tax Agency is or will be year 2000-ready, that the Tax Agency's remediation efforts will be successful in whole or in part, or that parties with whom the Tax Agency does business will be year 2000 ready.

The Tax Agency estimates that future expenditures to make systems year 2000 compliant will not be significant.

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Lafayette, Louisiana**

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following is a report on internal control and compliance with laws, regulations, contracts, and grants required by Government Auditing Standards, issued by the Comptroller General of the United States. The report on internal control 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, regulations, contracts, and grants is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.



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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board Members

Vernon Parish School Board

Louisville, Louisiana

We have audited the financial statements of the Vernon Parish Tax Agency Fund of the Vernon Parish School Board as of and for the year ended June 30, 1999, and have issued our report thereon dated September 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As discussed in Note 1, the financial statements present only the Vernon Parish Tax Agency Fund of the Vernon Parish School Board and are not intended to present fairly the financial position and results of operations of the Vernon Parish School Board in conformity with generally accepted accounting principles.

Compliance

As part of obtaining reasonable assurance about whether the Vernon Parish Tax Agency Fund of the Vernon Parish School Board's financial statements are free of material misstatement, 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 Vernon Parish Tax Agency Fund of the Vernon Parish School 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters causing us 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 Vernon Parish Tax Agency of the Vernon Parish School Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 98-11.

Board Members
Vermont Parish School Board
Louisville, Louisiana

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, of the reportable conditions described above, we consider item 99-F1 to be a material weakness.

This report is intended for the information of the Board, management, the Vermont Parish Police Jury, the City of Louisiana, the Town of New Llano, the Town of Ecouvillon, and the Town of Homebeck, and is not intended to be and should not be used by anyone other than the specified parties.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
September 23, 1999

Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Louisville, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1999

PART I - Summary of the auditors' results

Financial statement audit

- i. The type of audit report issued was unqualified.
- ii. There was a reportable condition required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of non-compliance (considered material), as defined by the Government Auditing Standards, to the financial statements.

**Vermont Parish Tax Agency Fund
Of the Vermont Parish School Board
Lassalle, Louisiana**

**Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1999**

PART II - Findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards:

Reference # and Title: SF-1 Insufficient Controls in Sales Tax Department

Entity, title, or program/department specific: This finding is specific to the Sales Tax Agency Fund.

Criteria or specific requirement: The School Board collects sales tax for Vermont Parish and makes a direct deposit into the bank accounts of the other taxing authorities. Adequate internal control requires separation of the collection and recording of cash.

Condition found: The sales tax manager collected cash and also recorded the cash collections. Insufficient agreement collections were also handled by her. The School Board was unaware of the amount of cash collected because all the transactions involving cash were handled by the Sales Tax Manager. In July 1999 the School Board discovered that some cash collections were not deposited. The Sales Tax Manager was substantiating checks from one time or occasional filers to cover the cash which was not deposited.

The School Board entered into a contract to perform an agreed upon procedures engagement regarding the potential misappropriation of funds in the sales tax department. One report has been issued which covers the time period from July 1, 1996 through July 28, 1999. The sales tax department processes sales tax forms in batches. The bank deposit for each batch should include either a check or a cash receipt for each sales tax form in that batch. Checks was included monthly on the last batch of the month. Those deposits which included cash were reconciled to the bank of forms at the sales tax office for that deposit. In performing this reconciliation sales tax forms were found with no corresponding deposit in the bank account and checks were deposited into the bank accounts with no corresponding form in the sales tax office.

Possible asserted effect (cause and effect):

Cause: The limited controls over cash collections were the cause of this problem.

Effect: The total amount of the suspected misappropriation is still under investigation.

Recommendations to prevent future occurrence: Since after the discrepancies were noted the School Board implemented a policy that the sales tax department no longer accepts cash payments. Posters informing the public of this new policy were placed in the close entrance to the sales tax office. Management should review job descriptions of employees in the sales tax office to ensure that adequate separation of duties exists.

Vernon Parish Tax Agency Fund
OF the Vernon Parish School Board
Lafayette, Louisiana

Other Information

The information in the following section concerns management's actions or omissions concerning prior- and current-year audit findings and is required by U. S. Office of Management and Budget (OMB) Circular No. A-133. This information has been prepared by the management of the Vernon Parish Tax Agency Fund of the Vernon Parish School Board. Management accepts full responsibility, as required by OMB Circular No. A-133, for the accuracy of the information. This information has not been audited by the auditors except as required by OMB Circular No. A-133 Section 240(c), and accordingly, no opinion is expressed. Section 208(g) requires the auditor to follow-up on prior audit findings, perform procedures to assist the reinstatement of the summary schedule of prior audit findings prepared by the auditor, and report, as a current-year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.

**Vermilion Parish Tax Agency Fund
Of the Vermilion Parish School Board
Lafayette, Louisiana**

**Corrective Action Plan for Current-Year Findings and Questioned Cost
As of and for the Year Ended June 30, 1999**

Reference # and title: **92-F1** **Inadequate Controls in Sales Tax Department**

Condition: The School Board collects sales tax for Vermilion Parish and makes a direct deposit into the bank accounts of the other taxing authorities. Adequate internal control requires separation of the collection and recording of cash.

The sales tax manager collected cash and also recorded the cash collections. Installment agreement collections were also handled by the manager. The School Board was unaware of the amount of cash collected because all the transactions involving cash were handled by the sales tax manager. In July 1999 the School Board discovered that some cash collections were not deposited. The sales tax manager was substituting checks from one time or occasional files to cover the cash which was not deposited.

Corrective action planned: The School Board has implemented a policy of not collecting cash. Posters informing the public of this new policy were placed on the entrance to the sales tax office. The sales tax manager position will be abolished and direct supervision of the sales tax department will be placed under the Director of Finance.

Person responsible for corrective action:

Mr. William L. Estess, Jr.
Director of Finance
Vermilion Parish School Board
201 Robinson Road
Lafayette, LA 71408

Telephone: (504) 279-0403
Fax: (518) 238-5717

Anticipated completion date: Immediately.