

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Elections and Registration
State of Louisiana
Baton Rouge, Louisiana

March 22, 2008



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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**DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Special Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 1999, and for the Years
Ended June 30, 1999 and 1998
With Supplemental Information Schedules**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

March 22, 2000

DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA

Special Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 1998, and for the Years
Ended June 30, 1999 and 1998
With Supplemental Information Schedules

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DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA
Contents, June 30, 1999

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February 18, 2000

Independent Auditor's Report
on the Financial Statements

HONORABLE SUZANNE HAIR TERRELL
COMMISSIONER OF ELECTIONS
DEPARTMENT OF ELECTIONS
AND REGISTRATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

We were authorized to audit the accompanying special purpose (legal basis) financial statements of the Department of Elections and Registration, a department within Louisiana state government, as of June 30, 1999, and for the two years ended June 30, 1998 and June 30, 1999, as listed in the foregoing table of contents. These special purpose financial statements are the responsibility of management of the Department of Elections and Registration.

As described in note 1 to the financial statements, the accompanying special purpose financial statements present only the funds of the Department of Elections and Registration. As such, they present the appropriated and non-appropriated activity of the department that are part of the accounts and fund structure of the State of Louisiana. The General Appropriation Fund reflects appropriated activities of the department that are part of the General Fund of the State of Louisiana. The non-appropriated funds are individual funds of the State of Louisiana not subject to budgetary control. Furthermore, the financial statements have been prepared in accordance with accounting procedures prescribed by the Office of the Governor, Division of Administration, which is a comprehensive basis of accounting other than generally accepted accounting principles, the purpose of which is to reflect compliance with the annual appropriation act and other state laws and regulations.

As discussed in Exhibit A, there were numerous findings reported in two Investigative Audit reports, dated March 17, 1999, and August 9, 1999, issued by the Office of the Legislative Auditor. These findings relate to weaknesses in controls resulting in possible payroll fraud, donation of public funds, noncompliance with travel regulations, and improper awarding of contracts involving management of the department and other department employees. The significance and pervasiveness of these material weaknesses, in conjunction with the other findings reported in Exhibit A, constitute a limitation on the scope of our audit. These conditions made it impractical to apply sufficient audit procedures to enable us to express an opinion on the fair presentation of the accompanying special purpose financial statements.

On the balance sheet, as of June 30, 1999, accounts receivable of the Appropriated Fund and Non-Appropriated Fund were understated by \$406,425 and \$400,890, respectively; the liability due to the state General Fund in the Appropriated Fund was understated by \$138,240, and the liabilities in the Non-Appropriated Fund was understated by \$400,890. In addition, the

LEGISLATIVE AUDITOR

HONORABLE SUZANNE HARK TERRELL
COMMISSIONER OF ELECTIONS
DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA
Audit Report, June 30, 1999

self-generated revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance (Legal Basis) for the fiscal year 1999 Appropriated Fund was understated by \$347,183, and income not available reported in Schedule 3 for fiscal year 1999 was understated by \$347,438. The department also failed to disclose related party transactions in the notes to the financial statements. Under the accounting procedures prescribed by the Office of the Governor, Division of Administration, these amounts and disclosures should have been included in the special purpose financial statements.

Because we were not able to apply sufficient auditing procedures to satisfy ourselves as to the amounts included in the special purpose financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the fair presentation of the financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated February 18, 2000, on our consideration of the Department of Elections and Registration's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of attempting to form an opinion on the accompanying special purpose financial statements of the Department of Elections and Registration taken as a whole. The accompanying supplemental information schedules as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the special purpose financial statements of the Department of Elections and Registration. Such information has been subjected to the procedures applied in the audit of the special purpose financial statements. For reasons previously stated in the third and fifth paragraphs, we do not express an opinion on the special purpose financial statements. Similarly, we do not express an opinion on the supplemental information schedules.

This report is intended solely for the information and use of the Department of Elections and Registration and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

Louisiana

Statement A

DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS

Balance Sheet (Legal Basis), June 30, 1998

	APPROPRIATED FUNDS-	NON-APPROPRIATED FUNDS		TOTAL (MEMORANDUM ONLY)
	GENERAL APPROPRIATION	FYPPOLL CLEARING	INCOME NOT AVAILABLE	
ASSETS				
Cash (note 1-C)	\$2,254,881	\$288,758		\$2,471,831
Receivables:				
Fees and self-generated revenues	480,243			480,243
Other	179,880	(58,407)	(\$105,508)	\$215,880
Inventory of materials and supplies	2,108,739			2,108,739
TOTAL ASSETS	\$4,878,763	\$188,289	(\$105,508)	\$4,781,235
LIABILITIES AND FUND EQUITY				
Liabilities				
Payables (note 2)	\$2,654,890	\$148,288		\$2,753,890
Advances from state treasury (note 3)	207,700			207,700
Due to state General Fund	459,495		(\$107,508)	154,987
Total Liabilities	3,322,085	148,288	(\$107,508)	3,144,871
Fund Equity - fund balances				
Reserved for inventory of materials and supplies	2,108,739			2,108,739
Unreserved - undesignated (note 3)	149,823			149,823
Total Fund Equity	2,258,562	NCM	NCM	2,258,562
TOTAL LIABILITIES AND FUND EQUITY	\$4,878,762	\$148,288	(\$107,508)	\$4,781,235

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance (Legal Basis)
For the Two Years Ended June 30, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
REVENUES		
Appropriated by legislature:		
State General Fund	\$78,263,780	\$73,356,520
State General Fund by fees and self-generated revenues	1,497,347	4,348,682
Total revenues	<u>\$79,761,127</u>	<u>\$77,705,202</u>
EXPENDITURES		
Appropriated expenditures:		
Administrative program	1,780,628	1,298,281
Voting Machines program	3,733,481	5,718,522
Voter Registration program	6,851,990	6,978,873
Elections program	18,271,247	14,873,126
Total expenditures	<u>\$20,637,346</u>	<u>\$29,868,802</u>
EXCESS OF REVENUES OVER EXPENDITURES	471,681	1,846,400
TRANSFERS OUT	(468,465)	(1,700,567)
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (Uses)	(14,915)	(854,167)
FUND BALANCE AT BEGINNING OF YEAR	1,488,812	1,487,343
INCREASE IN RESERVE FOR INVENTORY	227,383	22,381
ADJUSTMENT (note 10)	(16,278)	NONE
FUND BALANCE AT END OF YEAR	<u>\$1,642,802</u>	<u>\$1,440,812</u>

The accompanying notes are an integral part of this statement.

UNAUDITED

**DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and
Unexpended Appropriation - Budget
Comparison of Current-Year Appropriation -
Budget (Legal Basis) and Actual
For the Two Years Ended June 30, 1999 and 1998**

	1998		VARIANCE
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES			
Appropriated by legislature:			
State General Fund	\$31,260,333	\$29,263,780	(\$2,006,553)
State General Fund by fees and self-generated revenues	2,584,000	2,807,661	223,661
Total appropriated revenues	<u>\$33,844,333</u>	<u>\$32,071,441</u>	<u>(\$1,772,892)</u>
EXPENDITURES			
Appropriated to:			
Administrative program	1,215,899	1,194,593	21,306
Voting Machines program	4,081,500	3,714,214	367,286
Voter Registration program	7,931,220	8,817,989	886,769
Elections program	28,689,110	19,735,063	8,954,047
Total appropriated expenditures	<u>\$31,917,729</u>	<u>\$33,461,865</u>	<u>(\$1,544,136)</u>
UNEXPENDED APPROPRIATION - CURRENT YEAR	NONE	\$18,376	\$18,376

The accompanying notes are an integral part of this statement.

Statement C

2008		VARIANCE FAVORABLE (UNFAVORABLE)
BUDGET	ACTUAL	
\$28,842,021	\$28,558,520	(\$2,483,501)
<u>3,388,180</u>	<u>3,648,025</u>	<u>(259,845)</u>
<u>28,453,841</u>	<u>28,206,845</u>	<u>(2,246,996)</u>
1,358,428	1,298,887	42,751
3,842,888	3,718,448	122,408
8,237,101	8,858,745	(621,644)
<u>18,900,034</u>	<u>18,548,884</u>	<u>3,511,150</u>
<u>28,453,841</u>	<u>28,206,845</u>	<u>2,246,996</u>
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

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DEPARTMENT OF ELECTIONS AND REGISTRATION STATE OF LOUISIANA

Notes to the Financial Statements
As of June 30, 1999 and for the
Years Ended June 30, 1999 and 1998

INTRODUCTION

The Department of Elections and Registration is a department within the State of Louisiana reporting entity. The department was created in accordance with Title 18, Chapter 2 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is responsible for providing and maintaining voting machines and computer absentee counting equipment for all called public elections. The department also prescribes uniform policies and procedures for voter registration within the State of Louisiana and serves as a storehouse for statistical election information. At June 30, 1999, the department has 88 regular employees, 68 warehouses, 3,891 precincts, and 2,499 polling places throughout the state. The department administered the following number of elections during fiscal years 1998 and 1999, respectively: statewide, none and two; parish/municipal primaries, 718 and 890; parish/municipal general, 18 and 10; special vacancies, 124 and 123; and local propositions, 303 and 341.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local governments. These principles are found in the *Compilation of Governmental Accounting and Financial Reporting Standards*, published by the GASB. However, the accompanying financial statements have been prepared on a legal basis, which differs from generally accepted accounting principles as explained in the following notes.

The State of Louisiana has been determined to be the reporting entity under generally accepted accounting principles. The accompanying financial statements represent activity of a department of state government and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements.

A. FUND ACCOUNTING

The Department of Elections and Registration uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position and results of operations of its non-appropriated funds. This differs from the fund accounting of generally accepted accounting principles where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of generally accepted accounting principles.

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DEPARTMENT OF ELECTIONS AND REGISTRATION STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, general fixed assets, and long-term liabilities are reflected in the State of Louisiana's general purpose financial statements.

The funds presented in the special purpose financial statements are described as follows:

GENERAL APPROPRIATION FUND

The General Appropriation Fund provides for the administrative and operating expenditures of the department.

NON-APPROPRIATED FUNDS

Payroll Clearing Fund

The Payroll Clearing Fund is used to account for payroll deductions and accrued benefits.

Income Not Available

The department collects funds specifically identified by the Division of Administration, State Budget Office, as income not available that are remitted to the state treasury. These amounts are not available to the department for expenditure and, therefore, are not included on Statement B but are detailed on Schedule 2.

The non-appropriated funds relating to income not available and payroll clearing funds are restricted in nature (assets equal liabilities) and do not involve measurement of results of operations.

B. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current-year expenditures and the use of those resources by the department. This differs from generally accepted accounting principles in which the measurement focus would be to measure the flow of current resources.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Division of Administration, Office of Statewide Reporting and Accounting

UNAUDITED

DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

Policy. These legal requirements differ from generally accepted accounting principles as follows:

1. Revenues are recognized to the extent that they have been appropriated and not necessarily when measurable and available.
2. Expenditures are recognized to the extent that appropriation authority has been extended to the department and not necessarily when the fund liability has been incurred.

Under the foregoing legal provisions, the department uses the following practices in recognizing revenues and expenditures:

Revenues

State General Fund appropriations are recognized in the amounts appropriated, to the extent withdrawn from the state treasury. Fees and self-generated revenues are recognized in the amounts earned, to the extent that they will be collected within 45 days of the close of the fiscal year.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employees' vested annual and sick leave are recognized as expenditures when paid. Furthermore, any expenditures of a long-term nature for which funds have not been appropriated during the current year are not recognized in the accompanying financial statements.

C. CASH

Cash is composed of the following:

Under control of the department	
Petty cash (on hand)	\$100
Cash in demand accounts	148,280
Cash on deposit with the state treasury	<u>2,325,271</u>
Total	<u>\$2,473,651</u>

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

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DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The department has deposit balances (collected bank balances) of \$212,089 at June 30, 1996, for which the department has control. These deposits are fully secured from risk by \$100,000 of federal deposit insurance (MSRB Risk Category 1) and \$112,089 of pledged securities jointly held in the Federal Reserve Bank in the name of the agency and the pledging fiscal agent bank (MSRB Risk Category 1).

Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by generally accepted accounting principles are included within the state's general purpose financial statements. The following is a summary of cash in the state treasury:

Means of finance	\$97,377
1993 operating	2,109,659
Payroll clearing	<u>145,289</u>
Total	<u>\$2,352,325</u>

D. INVENTORIES OF MATERIALS AND SUPPLIES

Inventories are valued at cost and are recorded as expenditures at the time individual inventory items are purchased. The department uses both perpetual and periodic inventory systems. The perpetual inventory is valued by the weighted-average method. The periodic inventory is valued on the first-in, first-out (FIFO) basis, using the most recent cost of the inventory items, which approximates market. Reported inventories are equally offset by fund balance reserves that indicate they do not constitute available spendable resources even though they are components of net current assets.

E. GENERAL FIXED ASSETS

At June 30, 1996, the department has stewardship responsibility for \$30,246,305 in governmental movable property, valued at historical cost at the time of acquisition. The movable property is not reflected within the accompanying special purpose financial statements. A summary of changes in movable property follows:

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**DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Balance, July 1, 1987	\$35,772,929
Additions	938,323
Deletions	<u>(7,289,297)</u>
Balance, June 30, 1988	<u>\$35,221,854</u>
Balance, July 1, 1988	\$35,221,854
Additions	8,451,008
Deletions	<u>(2,429,577)</u>
Balance, June 30, 1989	<u>\$38,743,285</u>

Much of the \$738,323 and \$8,451,008 in additions, respectively, were electronic voting machines purchased through the Division of Administration, Office of Facility Planning and Control; therefore, no expenditures are reflected in Statements B or C for these items.

In accordance with Louisiana Revised Statutes (R.S.) 39:221-232, the Department of Elections and Registration has complied with the movable property statutes of the State of Louisiana.

F. LONG-TERM OBLIGATIONS

The department is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the department arising from lease commitments, installment purchases, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

G. ENCUMBRANCE ACCOUNTING

Encumbrances represent commitments relating to unperformed contracts for goods or services. The department employs encumbrance accounting during the year to ensure compliance with the annual appropriation act. The department has no encumbrances outstanding at June 30, 1989. Had there been any outstanding encumbrances, they would not have been reflected in the accompanying financial statements because the department does not have the ability to finance the liquidation of encumbrances after June 30, 1989, as provided by R.S. 39:222.

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**DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

H. BUDGET PRACTICES

The appropriation made for the general operations of the department is an annual lapping appropriation and is recorded in the General Appropriation Fund.

- The budget process for the General Appropriation Fund is an annual appropriation valid for one year. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-D, except that salaries and related benefits are recognized when paid on Statement C. The expenditures of the department, as shown on Statement B, are reconciled with the respective amounts shown on Statement C as follows:

Statement B expenditures - fiscal year 1999	\$26,268,667
Add - prior year payroll accrued	600,000
Less - current-year payroll accrued	<u>(600,000)</u>

Statement C expenditures - fiscal year 1999	<u>\$26,268,667</u>
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Statement B expenditures - fiscal year 1998	\$11,288,024
Add - prior year payroll accrued	600,000
Less - current-year payroll accrued	<u>(600,000)</u>

Statement C expenditures - fiscal year 1998	<u>\$11,288,024</u>
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- The department is prohibited by statute from ever expending the program levels established in the general appropriation act.
- Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

Original approved budget (Act 51 of 1997)	\$17,190,644
Increases for the Elections and Voter Registration programs	<u>2,361,421</u>

Total budget amount - fiscal year 1998	<u>\$19,552,065</u>
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Original approved budget (Act 71 of 1998)	\$10,870,233
and final budget amount - fiscal year 1999	<u>\$10,870,233</u>

- The non-appropriated funds are not subject to budgetary control.

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DEPARTMENT OF ELECTIONS AND REGISTRATION STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

I. LEAVE BENEFITS

Employees earn and accumulate annual and sick leave at various rates depending on their years of service, without limitation on the balance that can be accumulated. 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 but are not compensated for unused sick leave. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits. The liability for unused annual leave payable at June 30, 1999, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$853,178. The leave payable is not recorded in the accompanying special purpose financial statements.

Certain employees of the department are eligible to earn compensatory time as defined by the Department of State Civil Service and the Fair Labor Standards Act. These employees can earn and accumulate one hour or one and one-half hour for each hour of overtime worked, depending on their position and rate of pay. Generally, the employees are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another. The liability for accrued compensatory leave at June 30, 1999, computed in accordance with GASB Codification Section C60.105, is estimated to be \$17,902. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

J. TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations. Neither is such data comparable to a consolidation.

2. PAYABLES

The following is a summary of payables at June 30, 1999:

UNAUDITED

**DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

	Appropriated Fund - General Appropriation	Non- Appropriated Fund - Payroll Clearing	Total
Accounts payable	\$2,155,579		\$2,155,579
Accrued payroll	479,071		479,071
Payroll deductions payable		\$78,265	78,265
Accrued employee benefits payable		79,824	79,824
Total	\$2,634,650	\$148,089	\$2,782,739

3. PENSION PLANS

Substantially all employees of the department are members of two statewide, public retirement systems. Parish registrars and their employees are generally members of the Louisiana Register of Voters Retirement System (RVRS), a multiple employer, defined benefit pension plan and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS), a multiple employer, defined benefit pension plan. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Required disclosures for LASERS for fiscal year 1999 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Division of Administration, Post Office Box 64055, Baton Rouge, Louisiana, 70804-0055.

Contributions to the RVRS are funded through employee contributions and an employer contribution. However, the Public Retirement System's Actuarial Committee decided that no employer contribution was required for the RVRS for the years ended June 30, 1997, 1998, and 1997. The employee contribution rate of 7% is established by state statute. The department's employer contribution, if required, would be funded by the State of Louisiana through the annual appropriation to the department.

**4. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The department provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the department. The department's costs of providing retiree health care

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DEPARTMENT OF ELECTIONS AND REGISTRATION STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the years ended June 30, 1998, and June 30, 1999, the costs of retiree benefits totaled \$219,268 and \$249,286, respectively.

5. JUDGMENTS, CLAIMS, AND SIMILAR CONTINGENCIES

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

6. LEASE OBLIGATIONS

The department has noncancelable operating leases. The future annual operating lease payments are presented as follows:

fiscal Year	Equipment	Warehouse	Total
1999-00	\$343,625	\$834,689	\$1,178,314
2000-01	257,668	395,009	652,677
2001-02		214,608	214,608
2002-03		162,363	162,363
2003-04		48,115	48,115
2004-05 and thereafter		13,500	13,500
Total	<u>\$601,693</u>	<u>\$1,338,322</u>	<u>\$1,940,015</u>

All lease agreements have non-appropriation expulsoary clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period. Rental and lease expenditures for fiscal years ended June 30, 1998, and June 30, 1999, totaled \$2,176,342 and \$1,612,666, respectively. There were no capital leases for fiscal year ended June 30, 1999.

7. INSTALLMENT PURCHASES

The department has entered into installment purchase agreements with GE Capital Public Finance and IBM Corporation for the purchase of equipment. The following is a summary of the installment purchases of the department for the two years ended June 30, 1999:

UNAUDITED

**DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Balance at July 1, 1997	\$4,102,800
Installment purchases - fiscal year 1998	NONE
Installment payments - fiscal year 1998	<u>(1,848,400)</u>
Installment purchases payable at June 30, 1998	<u>\$2,254,400</u>
Balance at July 1, 1998	\$2,254,410
Installment purchases - fiscal year 1999	5,038,298
Installment payments - fiscal year 1999	<u>(3,111,004)</u>
Installment purchases payable at June 30, 1999	<u>\$4,181,704</u>

The following is a summary of future minimum installment payments as of June 30, 1999:

Fiscal year:	
1999-00	\$1,842,538
2000-01	1,121,818
2001-02	1,107,680
2002-03	1,107,680
2003-04	<u>418,000</u>
Net minimum lease payments	\$5,597,736
Less - amount representing interest	<u>(1,425,903)</u>
Present value of net minimum installment purchases	<u>\$4,171,833</u>

The installment purchase agreements have non-cyculatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period. The liability for the installment purchases is not recorded in the accompanying financial statements.

B. ADVANCES FROM STATE TREASURY

The department has received advances from the state treasury for working capital/management fund operations totaling \$207,700. The advances, as reflected in the accompanying statements, represent a liability to the department and must be repaid if not authorized annually.

UNAUDITED

DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

9. DEFICIT FUND BALANCE

The General Appropriation had a deficit of \$466,003 for the year ended June 30, 1999. The deficit was the result of the recognition of accrued salaries and related benefits as required by the Office of the Governor, Division of Administration, and the fact that monies to fund these accruals are appropriated in the subsequent year. The deficit will be resolved by paying for salaries and related benefits from fiscal year 2000 funds appropriated to pay these obligations of the 1998-99 fiscal year.

10. ADJUSTMENT TO FUND BALANCE
AT BEGINNING OF YEAR

The adjustment to the July 1, 1998, beginning fund balance of the General Appropriation Fund, as shown on Statement B, is the adjustment of prior year expenditures for \$18,378.

11. DEFERRED COMPENSATION PLAN

Certain employees of the department participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

**DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
As of June 30, 1999 and for the
Years Ended June 30, 1999 and 1998**

SCHEDULE OF CHANGES IN BALANCE

Changes in balance for the Non-Appropriated - Payroll Clearing Fund for the years ended June 30, 1999, and June 30, 1998, are presented on Schedule 1.

**SCHEDULE OF NON-APPROPRIATED REVENUES -
INCOME NOT AVAILABLE**

Schedule 2 reflects income not available collected by the department during the years ended June 30, 1999, and June 30, 1998, that was not available to the department for expenditures.

UNAUDITED

Schedule 1

DEPARTMENT OF ELECTIONS AND REGISTRATION
 STATE OF LOUISIANA
 NON-APPROPRIATED - PATROLL CLEARING FUND

Schedule of Changes in Balance
 For the Years Ended June 30, 1996,
 and June 30, 1998

BALANCE AT JULY 1, 1997	\$120,508
ADDITIONS	
Payroll deposits	<u>6,871,458</u>
Total	7,000,044
DEDUCTIONS	
Payroll deduction disbursements	<u>(6,879,586)</u>
BALANCE AT JUNE 30, 1998	<u>\$120,458</u>
BALANCE AT JULY 1, 1998	\$120,458
ADDITIONS	
Payroll deposits	<u>10,727,287</u>
Total	10,878,745
DEDUCTIONS	
Payroll deduction disbursements	<u>(10,958,644)</u>
BALANCE AT JUNE 30, 1999	<u>\$208,749</u>

DEPARTMENT OF ELECTIONS AND REGISTRATION
 STATE OF LOUISIANA
 NON-APPROPRIATED FUND - INCOME NOT AVAILABLE

Schedule of Non-Appropriated Revenues
 For the Years Ended June 30, 1999,
 and June 30, 1998

Cash receipts through June 30, 1999	\$607,664
Accounts receivable at June 30, 1999	<u>(338,388)</u>
Income not available at June 30, 1999	<u>\$269,276</u>
Cash receipts through June 30, 1998	\$691,087
Accounts receivable at June 30, 1998	<u>4,043</u>
Income not available at June 30, 1998	<u>\$695,130</u>

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal controls over financial reporting as required by Government Auditing Standards, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. STUBBINS, CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-6007

ADDITIONAL TELEPHONE 1
POST OFFICE BOX 9607
TELEPHONE: (504) 386-0600
FACSIMILE: (504) 386-0200

February 18, 2000

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of the
Special Purpose Financial Statements**

**HONORABLE SUZANNE HAIN TERRELL
COMMISSIONER OF ELECTIONS
DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We were authorized to audit the special purpose (legal basis) financial statements of the Department of Elections and Registration, a department within Louisiana state government, as of June 30, 1999, and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated February 18, 2000. Our audit was to have been conducted 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. However, because of material and pervasive weaknesses in the department's controls over financial reporting, we were not able to apply the foregoing standards.

Compliance

As part of obtaining reasonable assurance about whether the Department of Elections and Registration's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards.

Violations of State Laws and Regulations

In reports dated August 9, 1999, and March 17, 1999, the Investigative Division of the Office of the Legislative Auditor reported that the Department of Elections and Registration had committed the following acts that may be violations of the public bid law, state ethics code, state Civil Service regulations, state travel regulations, and other state laws:

LEGISLATIVE AUDITOR

HONORABLE SUZANNE HAIR TERRELL
COMMISSIONER OF ELECTIONS
DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA

Compliance and Internal Control Report

February 18, 2000

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- From August 1991 to January 1999, the department purchased 3,247 AVM voting machines totaling \$8,766,500 from Election Services, Inc. (ESI), without competitive bids. The voting machines were purchased at prices exceeding those available from other vendors, and the necessity of the purchase of at least some of the machines was questionable.
- From 1992 through 1998, the department purchased 122,650 AVM voting machine counters from Independent Voting Machine Company (IVM). The purchases totaled \$5,475,996 plus \$3,270,260 for installation. The counters were purchased at prices double the market rate and, in some instances, the department purchased counters removed from its own trade-in machines. The department paid a contractor nearly four times the available rate for installation. In some instances, department employees participated in the installation, and IVM billed the department twice for the same work. The total cost of the counters and installation for each machine was more than twice the cost of purchasing a completely reconditioned machine from an AVM dealer.
- IVEI contributed money and incurred risk for a real estate investment on which Commissioner of Elections Jerry Fowler may have profited.
- The department entered into drayage contracts with companies directly associated with a former Director of Elections while he held that post. From 1991 through 1999, these companies were paid \$497,245. The Assistant Commissioner of Minority Affairs also received \$9,750 from his association with the two companies.
- A contractor was paid for drayage services although the work was actually performed, in part, by department employees and an individual employed by another department contractor.
- A department employee was paid a total of \$2,540 from 1999 through July 1999 for contract labor and rental of his personal vehicle by a company holding a drayage contract.
- The department entered into a drayage contract with an employee through an attorney acting on the employee's behalf. Payments on this contract from 1995 through 1998 totaled \$123,399.

LEGISLATIVE AUDITOR

HONORABLE SUZANNE HAUK TERRELL
COMMISSIONER OF ELECTIONS
DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA

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- The department entered into warehouse contracts with two employees and the wife of a former Director of Elections while he held that post. Payments on these contracts totaled \$121,423.
- The department paid a firm \$493,148 between October 1999 through June 1999 to perform accessibility inspections of polling places, voting machine warehouses, and the offices of Registrars of Voters. A department contract attorney is the vice president, owner, and a registered lobbyist for this firm. The husband of the department's Director of Registration is an employee of this firm. He was responsible for the firm's performance on the 1997-98 contract.
- The time and attendance and expense reports for four department employees indicated that they were working during certain times and at specific locations that do not agree with observations of investigative auditors. On certain occasions, department employees were observed engaged in personal activities during their normal work hours.
- The department's Director of Elections and the Assistant Commissioner of Minority Affairs received \$32,911 in travel expense reimbursements related to travel from their personal residences to work in their domicile, in violation of state travel regulations.
- The department provided voter registration data to elected state officials and other individuals without charge, in violation of state law. Lost revenue is estimated to be \$26,977.
- The department's Director of Information Systems used a department vehicle and a department employee for personal use.

Since the release of these reports, Commissioner Fowler and nine other current and former employees of the department have been indicted by an East Baton Rouge Parish grand jury on various charges including malfeasance in office, filing false public documents, money laundering, payroll fraud, and profit splitting. The significance and pervasiveness of these findings compounded by the extent of management's involvement precludes the application of sufficient audit procedures necessary for opining on the department's financial statements as of June 30, 1999, and for the two years then ended.

Recommendations for improvement and management's full response to these findings may be found in the audit reports referred to previously.

EXHIBIT A

LEGISLATIVE AUDITOR

**HONORABLE SUZANNE HAIN TERRELL
COMMISSIONER OF ELECTIONS
DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA**

Compliance and Internal Control Report

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Uncollected Interest

The Department of Elections and Registration did not collect all interest owed to the department as required by Louisiana law. The department provides voting machines and related services for all elections held in the state. Local governments reimburse a portion of the expenses incurred by the department for these elections. R.S. 18:1406.8 (E) requires the department to add interest to the balances of those accounts not paid within 30 days of billing and to remit the interest collected to the state treasurer. Louisiana law also requires that after 120 days, the unpaid account must be forwarded to the attorney general for collection.

The department's current policy is to write off uncollected interest rather than pursue collection efforts or forward the delinquent accounts to the attorney general for collection as required by state law. During fiscal years 1999 and 1998, the department wrote off interest totaling \$113,435 and \$62,550, respectively. Failure to collect interest places the department in noncompliance with state law.

The department should establish policies and procedures to collect interest owed on unpaid local government accounts and should remit the interest to the state treasurer or forward the delinquent accounts to the attorney general for collection as required by state law. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Travel Expense Reimbursements

The Department of Elections and Registration reimbursed an employee for travel expenses during fiscal years 1998 and 1999 that were not adequately supported by his expense reports and/or time and attendance reports. The department may reimburse employees for valid and reasonable travel expenses according to travel regulations set forth in Policies and Procedures Memorandum No. 40 (PPM 40) issued by the Commissioner of Administration.

In a test of employee travel reimbursements, one employee was noted as having been reimbursed \$33,850 for travel during fiscal years 1998 and 1999. In reviewing the employee's claims for reimbursement (expense report), we identified the following:

- The employee was reimbursed \$211 for trips he made on three days in fiscal year 1998 that, according to his time and attendance reports, he did not work.

LEGISLATIVE WRITER

HONORABLE SUZANNE HAIR TERRELL
COMMISSIONER OF ELECTIONS
DEPARTMENT OF ELECTIONS AND REGISTRATION
STATE OF LOUISIANA
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- The employee was reimbursed \$847 on his expense report dated May 7, 1999, for trips he made on three days in April 1999. On his subsequent expense report dated May 12, 1999, he was reimbursed \$289 for trips he made on those same days at the same time but to different destinations.
- On 29 of the 281 trips (9.9%) the employee made for the department during fiscal years 1998 and 1999, he reported beginning odometer readings that were less than the previous trip's ending odometer readings. It appears that the employee used only one of his personal vehicles to travel for the department. The employee was reimbursed \$2,150 for those 29 trips.

These expenses were reimbursed without adequate support because the employee's supervisor failed to adequately review this employee's expense reports.

Management of the department should ensure that all supervisors are reviewing each employee's expense reports for allowable and reasonable travel expense claims. In addition, the department should also analyze the travel expense reimbursements made to this employee and should seek reimbursement for any travel expenses determined to be invalid. Management concurred with the finding and recommendation and implemented a plan of corrective action (see Appendix A, page 3).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department of Election and Registration's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. However, because of weaknesses in the department's control over financial reporting, we were unable to form an opinion on the department's financial statements and related notes. We noted the matters previously mentioned above in our report on compliance 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 department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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 special purpose 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

LEGISLATIVE AUDITOR

HONORABLE SUZANNE HAIR TERRELL
COMMISSIONER OF ELECTIONS
DEPARTMENT OF ELECTIONS AND REGISTRATION
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financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 previously, we consider the violations of state laws and regulations as disclosed in the reports of the Investigative Division of the Office of the Legislative Auditor to be material weaknesses.

This report is intended solely for the information and use of the Department of Elections and Registration and its management and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DHE:THC-RCL:zl

2/18/00

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



State of Louisiana
DEPARTMENT OF ELECTIONS & REGISTRATION

REGANNE HARRIS FERRILL
Commissioner of Elections

February 18, 2000

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
P.O. Box 94387
Baton Rouge, Louisiana 70804-0387

Dear Dr. Kyle:

We have reviewed the finding "Uncollected Interest" noted in your audit of the Department of Elections and Registration for the fiscal years ended June 30, 1998 and June 30, 1999.

It is my understanding that the Department's practice has been to advise local governing authorities for the reimbursement of election expenses in accordance with the Election Code. Further, it is my understanding that monthly interest was assessed on all outstanding balances in accordance with LRS 18:1400.6. I have been told that it has been the Department's practice to make every effort to collect the actual expenses invoiced a local governing authority for an election and to work out payment plans with the local governments when possible. It appears that when a local governing authority calls an election for a tax proposition, it may be a considerable amount of time before they receive funds from a successful election. If the election is unsuccessful, most local governing authorities may have a difficult time paying for the election expenses. If local governing authorities were having difficulty paying for the election expenses invoiced, Commissioner Fowler's administration would attempt to negotiate a payment plan. In addition, if the local governing authority paid the actual cost of the election, the interest charges were waived in some instances.

The Department concurs with your finding that interest charges were written off and that delinquent accounts were not forwarded to the attorney general for collection. We will be notifying local governments that effective immediately, the Department will no longer waive any interest charges assessed local governing authorities. All interest will be collected and submitted to the state treasurer. Additionally, all accounts becoming 120 days past due will be forwarded to the attorney general each month for collection.

Further, the Department will notify all entities with delinquent accounts that the balance is due immediately and that the account will be forwarded to the attorney general for collection if payment is not received within 14 days.

You may contact Ms. Carol Guidry, Assistant Commissioner of Management and Finance, should you have any questions regarding the Department's corrective action.

Sincerely,



Suzanne Mack Tilton
Commissioner of Elections

BHT/a

- cc: Patrick Bergeron, Chief of Staff
Carol Guidry, Assistant Commissioner of Management and Finance



State of Louisiana
DEPARTMENT OF ELECTIONS & REGISTRATION

February 18, 2006

ANDREW HANK THOMAS
Commissioner of Elections

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
P.O. Box 94097
Baton Rouge, Louisiana 70804-0097

Dear Dr. Kyle:

We have received the finding "Travel Expense Reimbursements" noted in your audit of the Department of Elections and Registration for the fiscal years ended June 30, 1999 and June 30, 1999.

The Department concurs with your finding that an employee was reimbursed travel expenses that were not adequately supported by expense reports and time and attendance reports. The Department has implemented new procedures for reimbursing employees for travel expenses to help insure that employees are only reimbursed for valid and reasonable travel expenses. Employees are required to document all locations attended on the time and attendance report. All travel expense reimbursement requests are compared to the employee's time and attendance report to insure that expenses are only claimed on days actually worked by the employee and that expenses were only claimed for locations documented on the time and attendance report. All mileage expense reimbursements are being verified for accuracy via a mapping program on the Internet. Discrepancies are being researched and are not reimbursed unless they are determined to be valid. Also, in addition to having supervisory approval, all travel expense reimbursement requests will be reviewed and approved by the First Assistant Commissioner or the Chief of Staff before any checks are issued.

The employee who claimed travel expenses that were not adequately supported by expense reports and/or time and attendance records was a part-time employee and has been terminated. The Department has turned over all documentation regarding the employee's time and attendance and travel expense accounts to the District Attorney for investigation.

You may contact Ms. Carol Guidry, Assistant Commissioner of Management and Finance, should you have any questions regarding the Department's corrective action.

Sincerely,



Stephen Hark Torrel
Commissioner of Elections

SH/Tjs

- c: Patrick Bergeron, Chief of Staff
Carol Guidry, Assistant Commissioner of Management and Finance