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**DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION**

**REPORT ON A CASE OF
UNCONSTITUTIONAL, UNLAWFUL, OR UNETHICAL
ACTS**

YOUR ID NUMBER IS 100

Your provision of state law, this report is a public document. A copy of this report has been furnished to the Attorney General, every state and appropriate public officials. It is now to be made for public inspection at the State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 1 5 1989

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August 11, 1999

Independent Auditor's Report

Mr. Steve Archard
Marshall of City Court of
Denham Springs - Ward Two
Denham Springs, Louisiana

We have audited the accompanying component unit only financial statements of the Marshall of City Court of Denham Springs - Ward Two, a component unit of the City of Denham Springs, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Marshall. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Marshall of City Court of Denham Springs - Ward Two as of June 30, 1999, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 1999, on our consideration of the internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts, and grants.

The Year 2000 supplementary information on pages 12-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiry 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 Marshall of City Court of Denton Springs Ward Two is or will become Year 2000 compliant, the Marshall's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Marshall does business with are or will become Year 2000 compliant.

Respectfully submitted,

Shannon C. Longoria, C.P.A.

MARSHALL OF CITY COURT OF DEERAN SPRINGS - HARD TWO
COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1989

ASSETS	GOVERNMENTAL	ACCOUNT	TOTAL	
	FUND TYPE	GROUP	GENERAL	NON-GENERAL
	GENERAL	FUND	LONG-TERM	ASST
		ASSETS		
	1989		1989	1988
Cash	\$ 23,311	\$ -	\$ -	\$ 23,311
Certificates of Deposit	-	-	-	18,505
Accrued Interest Receivable	-	-	-	73,344
Due from Primary Government	3,885	-	-	3,885
Due from Others	-	-	-	150
Fixed Assets	-	83,510	-	83,510
Amount to be Provided for Retirement of Notes Payable	-	-	15,380	15,380
Total Assets	\$ 27,196	\$ 83,510	\$ 15,380	\$ 126,880
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts Payable	\$ 3,188	\$ -	\$ -	\$ 3,188
Payroll Taxes Payable	2,885	-	-	2,885
Retirement Payable	3,491	-	-	3,491
Accumulated Payroll Withholdings	20	-	-	20
Due to Primary Government	4,570	-	-	4,570
Notes Payable	-	-	15,380	15,380
Total Liabilities	16,324	-	15,380	27,324
Fund Equity:				
Investment in General Fixed Assets	-	83,510	-	83,510
Fund Balance - Unassigned - Undesignated	16,794	-	-	16,794
Total Fund Equity	16,794	83,510	-	100,304
Total Liabilities and Fund Equity	\$ 27,128	\$ 83,510	\$ 15,380	\$ 126,880

The accompanying notes are an integral part of these financial statements.

MARSHALL OF CITY COURT OF DEBHAM SPRINGS - WARD TWO
STATEMENTS OF REVENUES AND EXPENDITURES AND CHANGES IN
FUND BALANCE - All INTERGOVERNMENTAL FUND TYPES
 For the Years Ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Revenues:		
Revenues from City Court of DeBham Springs - Ward Two	\$ 100,242	\$ 115,569
Intergovernmental Revenues - Livingston Parish Council	30,783	29,928
Interest Income	487	961
Bond Preparation Income	3,020	4,380
Bond Participants Fee and Bond Participants Grant Revenues	1,388	2,893
Grant Revenues	3,534	3,589
On-Behalf Payments	<u>34,712</u>	<u>32,888</u>
Total Revenues	188,874	200,388
Other Financing Sources:		
Operating Proceeds from Primary Components - City of DeBham Springs	50,283	22,865
Proceeds from Disposition of Fixed Asset	-	4,478
Proceeds from Issuance of Notes Payable	-	<u>19,532</u>
Total Other Financing Sources	50,283	46,875
Total Revenues and Other Financing Sources	249,157	247,263
Expenditures:		
Salaries	188,820	188,840
Contract Labor	2,740	-
Vehicle Expense	8,452	10,880
Professional Fees	2,500	2,250
Payroll Tax Expense	8,880	8,478
Telephone	6,655	8,244
Postage	3,819	3,388
Miscellaneous	285	385
Miscellaneous	3,859	3,155
Utilities	861	1,647
Purchase of Equipment	13,882	19,688
Insurance	6,938	2,897
Office Supplies	3,778	4,600
Public Bond Expense	763	895
Service Contract	500	540
Rents	485	1,443
Retirement Expense	4,674	3,808
Software	-	2,700
Training	5,999	4,653
Debt Services:		
Principal Retirement	3,285	885
Interest	<u>3,722</u>	<u>285</u>
Total Expenditures	354,588	364,693
Deficiency of Revenues and Other Financing Sources Over (Under) Expenditures	105,431	117,430
Fund Balance - Beginning of Year	24,443	19,743
Fund Balance - End of Year	\$ 13,912	\$ 21,313

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 1989

Note 1 - Summary of Significant Accounting Policies -

The General Fund of the Marshall of City Court of DeBham Springs - Ward Two (the "Marshall") was created to account for revenues received from the Criminal Docket of City Court of DeBham Springs - Ward Two.

The accounting and reporting policies of the Marshall of City Court of DeBham Springs - Ward Two conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audit of State and Local Governmental Units.

A. Financial Reporting Entity

For reporting purposes the City of DeBham Springs, Louisiana, serves as the financial reporting entity for both the municipality (City of DeBham Springs) and for the Ward II Court System. The financial reporting entity consists of (1) the primary government (all funds under the auspices of the Mayor and Board of Aldermen of the City of DeBham Springs), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of DeBham Springs for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, appropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the city governing authority (Mayor and Board of Aldermen) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the City and the potential component unit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1993

4. Imposition of will by the City on the potential component unit.
5. Financial benefit/burden relationship between the City and the potential component unit.

Based on the previous criteria, City Management has included the Marshall of City Court of DeBham Springs - Ward Two as a component unit of the City of DeBham Springs. Since the Marshall is an elected official and has certain statutorily defined sources of funds for his own operating and/or capital budget discretion, the funds of the Marshall of City Court of DeBham Springs - Ward Two will be discretely presented in the City of DeBham Springs General Purpose Financial Statements for the year ended June 30, 1993.

B. Fund Accounting

The accounts of the Marshall 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 or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The only fund type of the Marshall of City Court of DeBham Springs - Ward Two is the General Fund.

General Fund. The General Fund is the general operating fund of the Marshall. It is used to account for all financial resources except those required to be accounted for in another fund.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their Balance Sheets. Their reported fund balance

MARSHALL OF CITY COURT OF DEERHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS CONTINUED

June 30, 1999

net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are used to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. All Fixed Assets are valued at historical cost.

Long-term liabilities expected to be financed from governmental funds would be accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

The Marshall of City Court of Deerham Springs - Ward Two has a General Fixed Asset Account Group and a General Long-Term Debt Account Group at June 30, 1999.

D. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchases of various operating supplies are recorded as expenditures at the time purchased.

NOTES TO FINANCIAL STATEMENTS CONTINUED

June 30, 1999

E. Budgets and Budgetary Accounting

The Marshall of City Court of Deerham Springs - Ward Two is not required to prepare a budget.

F. Accumulated Unpaid Vacation

Employees of the Marshall may not accumulate vacation pay. Vacation not taken during the calendar year is lost. No liability for unpaid vacation was recognized in these financial statements.

G. Total Columns on Statements - Overview

The total columns on the statements - overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Note 2 - Changes in General Fixed Assets -

A summary of changes in general fixed assets is as follows:

	<u>VEHICLE</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
Balance - July 1, 1998	\$ 18,615	\$24,102	\$ 42,717
Additions	-	13,002	13,002
Deletions	<u>-</u>	<u>-</u>	<u>-</u>
Balance - June 30, 1999	\$ <u>18,615</u>	\$ <u>37,104</u>	\$ <u>55,719</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1989

Note 3 - Cash and Cash Equivalents -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit. Under state law the Marshall may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the Marshall may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agent, the Marshall had cash and cash equivalents totaling \$39,439 and a carrying value of \$23,311 at June 30, 1989. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The cash and cash equivalents at June 30, 1989, were secured as follows:

	COMBINED BANK BALANCE JUNE 30, 1989	FDIC INSURANCE	BALANCE UNINSURED
Cash	\$ 39,439	\$ 39,439	\$ -
Total	\$ 39,439	\$ 39,439	\$ -

At June 30, 1989, all cash balances were fully insured by the FDIC.

Note 4 - Changes in Long-Term Debt -

The following is a schedule of notes payable at June 30, 1989:

Hancock Bank of Louisiana:

The note in the original amount of \$19,570 was borrowed March 3, 1988. The loan is payable in fifty-nine (59) principal and interest payments of \$396.35 and one (1) final principal and interest payment of \$396.77. The interest rate is 8.0%. The first payment was due April 15, 1988 and the final payment is due on March 3, 2003.

The note is to be paid from operating revenues.

\$ 15,360

MARSHALL OF CITY COURT OF DEBARK SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS CONTINUED

June 30, 1999

The following is a summary of notes payable transactions for the fiscal year ended 1999:

Balance - July 1, 1998	\$ 18,766
Principal Additions	-
Principal Reductions	(3,385)
Balance - June 30, 1999	<u>\$ 15,381</u>

Maturity on the debt is as follows:

	ANNUAL PRINCIPAL	ANNUAL INTEREST	TOTAL PAYMENT
June 30, 2000	\$ 3,665	\$ 1,099	\$ 4,764
June 30, 2001	3,970	794	4,764
June 30, 2002	4,299	465	4,764
June 30, 2003	<u>3,445</u>	<u>315</u>	<u>3,760</u>
	<u>\$15,381</u>	<u>\$ 2,673</u>	<u>\$18,054</u>

Note 3 - Postretirement Health Care and Life Insurance Benefits -

At June 30, 1999, the Marshall has no postretirement health care and life insurance benefit plan in existence.

Note 4 - Retirement Commitments -

Employees of the Marshall of City Court of DeBark Springs - Ward Two may elect to be members of the Parochial Employees' Retirement System of Louisiana - Plan "B", a multiple-employer public employee retirement system. Contributions to the system are made by both employees and the Marshall's office as a percentage of salaries. Beginning January 1, 1997, the contribution rate for the employer was 3.30% of covered earnings and the rate for the employee was 2.80% of covered earnings. For the fiscal year ended June 30, 1999, the Marshall contributed \$9,386. Data concerning the actuarial status of the system at June 30, 1999, is not currently available.

MARSHALL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

One employee, whose salary is reimbursed by the City of Denham Springs, is covered by the Municipal Employees' Retirement System of Louisiana - Plan "M", also a multiple-employer public employee retirement system. Contributions to the system are made by both employees and the Marshall's office as a percentage of salaries. The Marshall of City Court of Denham Springs - Ward Two contributed \$888 to the system during the year. Data concerning the actuarial status of the system at June 30, 1998, is not currently available.

All employees of the Marshall's office, with the exception of the Marshall, are also covered by the social security System. The Marshall's office contributed \$8,682 to the System in fiscal year 1998, as its share of employer contributions.

Note 7 - On-Behalf Payments for Salaries and Benefits -

During fiscal year 1998, the Marshall implemented Government Accounting Standards Board statement no. 34 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." This standard requires the Marshall to report in the financial statements on-behalf salary and fringe benefit payments made by the State of Louisiana, the City Court of Denham Springs - Ward Two, and the Livingston Parish Council. These payments were made directly to the Marshall and his employees.

The Marshall is not legally responsible for these salary payments. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contributions made by each of the entities to the Marshall and the employees.

For the fiscal year ended June 30, 1998 State supplemental payments to the Marshall and employees amounted to \$18,460 while payments from the City Court and the Livingston Parish Council amounted to \$24,119 and \$18,193, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

YEAR 2000 ISSUES

June 10, 1999

The Year 2000 Issues

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 98-1, Disclosures about Year 2000 issues. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, requires the Marshall to make disclosures about its state of readiness in addressing the Year 2000 issues for its internal computer systems and equipment. On March 25, 1999, GASB issued Technical Bulletin 99-1 which amended the previously issued disclosure requirements allowing for the disclosures to be made in the required supplementary information (RSI). "This disclosure is written pursuant to the Year 2000 Information and Readiness Disclosure Act, Public Law No. 105-271, 112 Stat. 2786 (1998)."

The Year 2000 issue is the result of shortcomings in electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond.

The following stages have been identified by the GASB as necessary to implement a Year 2000-compliant system:

Awareness Stage - In this first stage, an organization establishes a budget and project plan (for example, a time line or chart noting major tasks and due dates) for dealing with the Year 2000 issue.

Assessment Stage - While in this stage, an organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for Year 2000 compliance or, through a risk analysis, identify only mission-critical systems and equipment systems and equipment critical to conducting operations to check compliance.

Remediation Stage - During this phase, an organization actually makes changes to systems and equipment. This stage involves the technical issues of converting existing systems, or switching to compliant systems. Decisions are made on how to make the system or processes Year 2000 compliant, and the required system changes are made.

Validation/Testing Stage - At this stage, an organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

YEAR 2000 ISSUES (CONTINUED)

June 30, 1999

The Marshall is aware of the issues associated with the programming code in existing computer systems as the year 2000 approaches. The "Year 2000" problem is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

As the Marshall's computer equipment, which is being used in the "mission critical" applications, is relatively new equipment it is already "Year 2000" compliant. Due to the size of the Marshall's office, minimal software applications are required and each of these applications is being updated and tested during 1999.

It is estimated that the Marshall will be required to expend less than \$5,000 during 1999 to become fully compliant for the "Year 2000".

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 Marshall is or will be "Year 2000" ready, that the Marshall's remediation efforts will be successful in whole or in part, or that portions with whom the Marshall does business will be "Year 2000" ready.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE COMPONENT
UNIT FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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August 11, 1999

Mr. Steve Schord
Marshall of City Court of
Denham Springs - Ward Two
Denham Springs, Louisiana

We have audited the component unit financial statements of the Marshall of City Court of Denham Springs - Ward Two (a component unit of the City of Denham Springs), as of and for the year ended June 30, 1999, and have issued our report thereon dated August 13, 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.

Compliance

As part of obtaining reasonable assurance about whether the Marshall's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Marshall'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 matter involving

Marshall of City Court of
Dwight Springs - Ward Two

the internal control over financial reporting and its operations that we consider to be a reportable condition. 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 Marshall's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is as follows:

Condition:

Because of a limited number of available personnel in the Marshall's office, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and may be promptly detected. This was also a finding in the prior year.

Recommendation:

Based on the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Action Plan:

None considered necessary.

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 do not believe that the reportable condition described above is a material weakness.

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

Respectfully submitted,

Annalis J. Bourgeois, L.L.P.