

OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

DECEMBER 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The 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.

Release Date SEP 01 1999

OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

MANSFIELD, LOUISIANA

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**AUDITED FINANCIAL STATEMENTS**

August 24, 1999

The Board of Directors  
Office of the Indigent Defender  
Eleventh Judicial District, Desoto and Sabine Parishes  
Mansfield, Louisiana

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the Eleventh Judicial District Indigent Defender Board as of and for the year ended December 31, 1998. These general purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

Because the records relating to the Combined Statement of Revenues, Expenditures and Changes in Fund Balance and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance, Budget (GAAP Basis) and Actual were unavailable or incomplete, and we were unable to apply other auditing procedures, we were not able to satisfy ourselves as to the completeness of those statements. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balance, and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance, Budget (GAAP Basis) and Actual for the year ended December 31, 1998.

In our opinion, the combined balance sheet referred to above presents fairly, in all material respects, the financial position of the Eleventh Judicial District Indigent Defender Board as of December 31, 1998, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 24, 1999 on our consideration of the Board's internal control structure and on its compliance with laws and regulations.

*Heard, McElroy & Vestal, LLP*

**HMV**

OFFICE OF THE INDIGENT DEFENDERELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHESCOMBINED BALANCE SHEETALL FUND TYPES AND ACCOUNT GROUPSDECEMBER 31, 1998

	<u>Governmental Fund Type General</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<u>A S S E T S</u>			
Cash and cash equivalents (Note 2)	95,247	-	95,247
Equipment (Note 3)	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Total assets	<u>95,247</u>	<u>3,500</u>	<u>98,747</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Accounts payable	-	-	-
<u>Fund equity:</u>			
Fund balance	95,247	-	95,247
Investment in general fixed assets	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Total fund equity	<u>95,247</u>	<u>3,500</u>	<u>98,747</u>
Total liabilities and fund equity	<u>95,247</u>	<u>3,500</u>	<u>98,747</u>

The accompanying notes are an integral part of this statement.

OFFICE OF THE INDIGENT DEFENDERELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHESCOMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEGOVERNMENTAL FUND TYPE-GENERAL FUND (JUDICIAL EXPENSE)FOR THE YEAR ENDED DECEMBER 31, 1998Revenues:

Court costs on fines and forfeitures (Note 4)	211,083
Fees from indigents and others (Note 4)	302
Indigent defense assistance board (Note 4)	20,776
Interest	<u>1,631</u>
Total revenues	<u>233,792</u>

Expenditures:

General government-judicial:	
Salaries	225,958
Other general expenses	<u>17,170</u>
Total expenditures	<u>243,128</u>

Excess of expenditures over revenues (9,336)

Fund balance at beginning of year 104,583

Fund balance at end of year 95,247

The accompanying notes are an integral part of this statement.

OFFICE OF THE INDIGENT DEFENDERELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHESCOMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEGOVERNMENTAL FUND TYPE-GENERAL FUND (JUDICIAL EXPENSE)BUDGET (GAAP BASIS) AND ACTUALFOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Court costs on fines and forfeitures	215,000	211,083	(3,917)
Fees from indigents and others	300	302	2
Indigent defense assistance board	20,000	20,776	776
Interest	<u>1,500</u>	<u>1,631</u>	<u>131</u>
Total revenues	236,800	233,792	(3,008)
<u>Expenditures:</u>			
General government-judicial:			
Salaries	225,000	225,958	(958)
Other general expenses	<u>45,000</u>	<u>17,170</u>	<u>27,830</u>
Total expenditures	<u>270,000</u>	<u>243,128</u>	<u>26,872</u>
<u>Excess (deficiency) of expenditures over revenues</u>	(33,200)	(9,336)	23,864
<u>Fund balance at beginning of year</u>	<u>104,583</u>	<u>104,583</u>	<u>-</u>
<u>Fund balance at end of year</u>	<u>71,383</u>	<u>95,247</u>	<u>23,864</u>

The accompanying notes are an integral part of this statement.

OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1998

1. Summary of Significant Accounting Policies

The Office of the Indigent Defender was established in compliance with Louisiana Revised Statutes 15:144-149 to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The judicial district encompasses the Parishes of Desoto and Sabine, Louisiana.

The accounting and reporting policies of the Office of the Indigent Defender conform to generally accepted accounting principles as applicable to governments.

Financial Reporting Entity

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Desoto Parish Commission for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the commission to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the commission.
2. Organizations for which the commission does not appoint a voting majority but are fiscally dependent on the commission.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

For financial reporting purposes, the Office of the Indigent Defender is a part of the district court system of the State of Louisiana. However, the Office of the Indigent Defender operates autonomously from the State of Louisiana and independently from the district court system. Therefore, the Office of the Indigent Defender reports as an independent reporting entity.

Fund Accounting

The accounts of the Office of the Indigent Defender 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 purposes for which they are to be spent and the means by which spending activities are controlled. The Office of the Indigent Defender is grouped, in the financial statements in this report, into a governmental fund and an account group as follows:



1. Summary of Significant Accounting Policies (Continued)

Governmental Fund

General Fund

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

General Fixed Assets Account Group

The accounting and reporting treatment applied to fixed assets associated with a fund is determined by its measurement focus. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund type when purchased. The Office of the Indigent Defender has elected to capitalize public domain ("infrastructure") fixed assets consisting primarily of office equipment. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost. The General Fixed Asset Account Group is not a fund. It is only concerned with the measurement of financial position. It is not involved with measurement of results of operations.

Basis of Accounting

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

The records are maintained on a cash basis of accounting. However, the General Fund, as reported in the accompanying financial statements, has been converted to a modified accrual basis of accounting utilizing the following practices:

Revenues:

Court costs related to fines and forfeitures imposed by the district and city courts are recorded when they are earned and become available. Substantially all other revenues are recorded when received.

Expenditures:

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Budgetary Accounting

Annually the Office of the Indigent Defender adopts a budget for the General Fund on the modified accrual basis of accounting. Beginning and ending fund balances are not budgeted. All appropriations lapse at year end.

Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits. Under state law, the Office of the Indigent Defender may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The fund may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are

1. Summary of Significant Accounting Policies (Continued)

90 days or less, they are classified as cash equivalents. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments in LAMP are stated at cost.

Total Column on Balance Sheet

The total column on the combined balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Such data in this column is not comparable to a consolidation.

2. Cash and Investments

At December 31, 1998, the Office of the Indigent Defender held cash of \$53,768 in demand deposits and \$41,479 in time deposits.

3. General Fixed Assets

General fixed assets consists of a computer purchased in 1995. Equipment used in governmental fund type organizations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund when purchased. No depreciation has been provided on general fixed assets. All equipment is stated at cost. The account group is not a fund. It is concerned only with the measurement of financial position and is not involved with the measurement or results of operations.

4. Fees from Indigents and Other Miscellaneous Receipts

The following is a summary of fees from indigents and other miscellaneous receipts:

Court costs on fines and forfeitures	211,083
Fees from indigents and others	<u>302</u>
	<u>211,385</u>

During 1998, monies were received from the Louisiana Indigent Defender Board (the Board) totaling \$20,776. The Board receives appropriations from the Louisiana Legislature and then allocates the funds to the various parishes.

5. Misappropriation of Funds

During the year ended December 31, 1998, a misapplication of funds occurred over substantially the entire period. The amount of this misapplication was not determinable as of the date of this report. Therefore, no amount has been recorded to reflect this loss.

An insurance bond was in effect to cover losses and may be recoverable up to \$10,000. However, at this time the probability of recovery is uncertain.

6. Year 2000 Disclosures (UNAUDITED)

Management has addressed Year 2000 issues relating to its computer systems. These systems, subjected to the four stages, as defined by GASB Technical Bulletin 98-1, necessary to help implement a Year 2000-compliant system, are awareness, assessment, remediation, and validation/testing. Management has completed all four stages in regard to its computer systems. However, there can be no assurance that, even with completion of all four stages of work, that these systems will be fully Year 2000-compliant under all circumstances.

OTHER REPORTS

August 24, 1999

The Board of Directors  
Office of the Indigent Defender  
Eleventh Judicial District, Desoto and Sabine Parishes  
Mansfield, Louisiana

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

We have audited the financial statements of the Office of the Indigent Defender as of and for the year ended December 31, 1998, and have issued our report thereon dated August 24, 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 financial statements of the Office of the Indigent Defender 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item 98-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eleventh Judicial District Indigent Defender 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 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 Eleventh Judicial District Indigent Defender Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-1. A material weakness is a reportable condition in which the design or operation of one or more of the internal control

*structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial 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 consider item 98-1 to be a material weakness.*

This report is intended solely for the information and use of the audit committee, management, others within the organization, Caddo Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Heard, McElroy & Vestal, LLP*

OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 1998

<u>Finding No.</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
98-1	The segregation of duties over cash is inadequate to provide effective internal control. As a result of the lack of segregation of duties the District's bookkeeper misapplied District funds from approximately February 1997 until her termination in October 1998. The amount of misapplied funds has not been determined. Collection and check signing authority should be separated from reporting and cash reconciliation.	Undetermined
98-2	The Defender Board did not file financial statements with the Legislative Auditor within six months of the close of the fiscal year as required by state law. In the course of the misapplication of funds various schemes were utilized to cover the losses, including record alteration and destruction. Therefore, records were missing and incomplete for the year ended December 31, 1998. The board should retain competent staff and provide appropriate oversight on a continuing basis.	-

OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 1998

<u>Finding No.</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
96-1	The Defender Board did not file its financial statements with the Legislative Auditor within six months of the close of the fiscal year as required by state law.	Unresolved (See 98-2)
96-2	The segregation of duties is inadequate to provide effective internal control.	Unresolved (See 98-1)
97-1	The segregation of duties is inadequate to provide effective internal control.	Unresolved (See 98-1)
97-2	Failure to file with the Legislative Auditor within six months of the close of the fiscal year as required by state law.	Unresolved (See 98-2)

**OFFICE OF THE INDIGENT DEFENDER**

Eleventh Judicial District - DeSoto and Sabine Parishes, Louisiana  
Post Office Box 689 \* Mansfield, LA 71052

August 27, 1999

**VIA FAX: 318-429-2070**

Mr. Ben Woods  
Heard, McElroy & Vestal  
Deposit Guaranty Tower  
333 Texas Street, 15th Floor  
Shreveport, LA 71101

Re: Audit for 1997 and 1998

Dear Mr. Woods:

I have reviewed your findings contained on page 10 of the audit report and make the following responses:

**Item #97-1** - We concur with the finding. We have begun a plan, which requires that checks be written and recorded by one person and be signed by another. The person who reconciles the bank account each month will not be the person who signs checks.

**Item #97-2** - We concur with the finding. The secretary who misapplied the funds was dismissed immediately upon our learning of the misapplication, and the board has retained a new staff person who we consider to be extremely competent and of the highest moral character. We will additionally provide constant oversight with respect to her job performance.

If you should have any questions concerning these responses, please do not hesitate to call or write.

Sincerely,

OFFICE OF THE INDIGENT DEFENDER  
FOR THE ELEVENTH JUDICIAL DISTRICT

By *David B. Means, III*  
David B. Means, III, Chairman

DBM,III/sp



OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

DECEMBER 31, 1997

OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

MANSFIELD, LOUISIANA

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**AUDITED FINANCIAL STATEMENTS**

August 24, 1999

The Board of Directors  
Office of the Indigent Defender  
Eleventh Judicial District, Desoto and Sabine Parishes  
Mansfield, Louisiana

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the Eleventh Judicial District Indigent Defender Board as of and for the year ended December 31, 1997. These general purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

Because the records relating to the Combined Statement of Revenues, Expenditures and Changes in Fund Balance and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance, Budget (GAAP Basis) and Actual were unavailable or incomplete, and we were unable to apply other auditing procedures, we were not able to satisfy ourselves as to the completeness of those statements. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balance, and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance, Budget (GAAP Basis) and Actual for the year ended December 31, 1997.

In our opinion, the combined balance sheet referred to above presents fairly, in all material respects, the financial position of the Eleventh Judicial District Indigent Defender Board as of December 31, 1997, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 24, 1999 on our consideration of the Board's internal control structure and on its compliance with laws and regulations.

OFFICE OF THE INDIGENT DEFENDERELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHESCOMBINED BALANCE SHEETALL FUND TYPES AND ACCOUNT GROUPSDECEMBER 31, 1997

	<u>Governmental Fund Type General</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<u>A S S E T S</u>			
Cash and cash equivalents (Note 2)	104,583	-	104,583
Equipment (Note 3)	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Total assets	<u>104,583</u>	<u>3,500</u>	<u>108,083</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Accounts payable	-	-	-
<u>Fund equity:</u>			
Fund balance	104,583	-	104,583
Investment in general fixed assets	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Total fund equity	<u>104,583</u>	<u>3,500</u>	<u>108,083</u>
Total liabilities and fund equity	<u>104,583</u>	<u>3,500</u>	<u>108,083</u>

The accompanying notes are an integral part of this statement.

OFFICE OF THE INDIGENT DEFENDERELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHESCOMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEGOVERNMENTAL FUND TYPE-GENERAL FUND (JUDICIAL EXPENSE)FOR THE YEAR ENDED DECEMBER 31, 1997

<u>Revenues:</u>	
Court costs on fines and forfeitures (Note 4)	215,476
Fees from indigents and others (Note 4)	504
Indigent defense assistance board (Note 4)	62,551
Interest	<u>1,445</u>
Total revenues	279,976
<u>Expenditures:</u>	
General government-judicial:	
Salaries	195,641
Other general expenses	<u>50,947</u>
Total expenditures	<u>246,588</u>
<u>Excess of revenues over expenditures</u>	33,388
<u>Fund balance at beginning of year</u>	<u>71,195</u>
<u>Fund balance at end of year</u>	<u>104,583</u>

The accompanying notes are an integral part of this statement.

OFFICE OF THE INDIGENT DEFENDERELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHESCOMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEGOVERNMENTAL FUND TYPE-GENERAL FUND (JUDICIAL EXPENSE)BUDGET (GAAP BASIS) AND ACTUALFOR THE YEAR ENDED DECEMBER 31, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Court costs on fines and forfeitures	205,000	215,476	10,476
Fees from indigents and others	300	504	204
Indigent defense assistance board	20,000	62,551	42,551
Interest	<u>1,500</u>	<u>1,445</u>	<u>(55)</u>
Total revenues	226,800	279,976	53,176
<u>Expenditures:</u>			
General government-judicial:			
Salaries	195,000	195,641	(641)
Other general expenses	<u>35,000</u>	<u>50,947</u>	<u>(15,947)</u>
Total expenditures	<u>230,000</u>	<u>246,588</u>	<u>(16,588)</u>
<u>Excess (deficiency) of revenues over expenditures</u>	(3,200)	33,388	36,588
<u>Fund balance at beginning of year</u>	<u>71,195</u>	<u>71,195</u>	<u>-</u>
<u>Fund balance at end of year</u>	<u>67,995</u>	<u>104,583</u>	<u>36,588</u>

The accompanying notes are an integral part of this statement.

OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1997

1. Summary of Significant Accounting Policies

The Office of the Indigent Defender was established in compliance with Louisiana Revised Statutes 15:144-149 to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The judicial district encompasses the Parishes of Desoto and Sabine, Louisiana.

The accounting and reporting policies of the Office of the Indigent Defender conform to generally accepted accounting principles as applicable to governments.

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1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the commission to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the commission.
2. Organizations for which the commission does not appoint a voting majority but are fiscally dependent on the commission.
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1. Summary of Significant Accounting Policies (Continued)

Governmental Fund

General Fund

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

General Fixed Assets Account Group

The accounting and reporting treatment applied to fixed assets associated with a fund is determined by its measurement focus. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund type when purchased. The Office of the Indigent Defender has elected to capitalize public domain ("infrastructure") fixed assets consisting primarily of office equipment. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost. The General Fixed Asset Account Group is not a fund. It is only concerned with the measurement of financial position. It is not involved with measurement of results of operations.

Basis of Accounting

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

The records are maintained on a cash basis of accounting. However, the General Fund, as reported in the accompanying financial statements, has been converted to a modified accrual basis of accounting utilizing the following practices:

Revenues:

Court costs related to fines and forfeitures imposed by the district and city courts are recorded when they are earned and become available. Substantially all other revenues are recorded when received.

Expenditures:

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Budgetary Accounting

Annually the Office of the Indigent Defender adopts a budget for the General Fund on the modified accrual basis of accounting. Beginning and ending fund balances are not budgeted. All appropriations lapse at year end.

Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits. Under state law, the Office of the Indigent Defender may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The fund may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are

1. Summary of Significant Accounting Policies (Continued)

90 days or less, they are classified as cash equivalents. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments in LAMP are stated at cost.

Total Column on Balance Sheet

The total column on the combined balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Such data in this column is not comparable to a consolidation.

2. Cash and Investments

At December 31, 1997, the Office of the Indigent Defender held cash of \$63,486 in demand deposits and \$41,097 in time deposits.

3. General Fixed Assets

General fixed assets consists of a computer purchased in 1995. Equipment used in governmental fund type organizations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund when purchased. No depreciation has been provided on general fixed assets. All equipment is stated at cost. The account group is not a fund. It is concerned only with the measurement of financial position and is not involved with the measurement or results of operations.

4. Fees from Indigents and Other Miscellaneous Receipts

The following is a summary of fees from indigents and other miscellaneous receipts:

Court costs on fines and forfeitures	215,476
Fees from indigents and others	<u>504</u>
	<u>215,980</u>

During 1997, monies were received from the Louisiana Indigent Defender Board (the Board) totaling \$62,551. The Board receives appropriations from the Louisiana Legislature and then allocates the funds to the various parishes.

5. Misappropriation of Funds

During the year ended December 31, 1997, a misapplication of funds occurred over substantially the entire period. The amount of this misapplication was not determinable as of the date of this report. Therefore, no amount has been recorded to reflect this loss.

An insurance bond was in effect to cover losses and may be recoverable up to \$10,000. However, at this time the probability of recovery is uncertain.

6. Year 2000 Disclosures (UNAUDITED)

Management has addressed Year 2000 issues relating to its computer systems. These systems, subjected to the four stages, as defined by GASB Technical Bulletin 98-1, necessary to help implement a Year 2000-compliant system, are awareness, assessment, remediation, and validation/testing. Management has completed all four stages in regard to its computer systems. However, there can be no assurance that, even with completion of all four stages of work, that these systems will be fully Year 2000-compliant under all circumstances.

OTHER REPORTS

August 24, 1999

The Board of Directors  
Office of the Indigent Defender  
Eleventh Judicial District, Desoto and Sabine Parishes  
Mansfield, Louisiana

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

We have audited the financial statements of the Office of the Indigent Defender as of and for the year ended December 31, 1997, and have issued our report thereon dated August 24, 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 financial statements of the Office of the Indigent Defender 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item 97-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eleventh Judicial District Indigent Defender 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 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 Eleventh Judicial District Indigent Defender Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.* Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 97-1. A material weakness is a reportable condition in which the design or operation of one or more of the internal control

structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial 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 consider item 97-1 to be a material weakness.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Caddo Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Heard, McElroy & Vestal, LLP*

OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 1997

<u>Finding No.</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
97-1	The segregation of duties over cash is inadequate to provide effective internal control. As a result of the lack of segregation of duties the District's bookkeeper misapplied District funds from approximately February 1997 until her termination in October 1998. The amount of misapplied funds has not been determined. Collection and check signing authority should be separated from reporting and cash reconciliation.	Undetermined
97-2	The Defender Board did not file financial statements with the Legislative Auditor within six months of the close of the fiscal year as required by state law. In the course of the misapplication of funds various schemes were utilized to cover the losses, including record alteration and destruction. Therefore, records were missing and incomplete for the year ended December 31, 1997. The board should retain competent staff and provide appropriate oversight on a continuing basis.	-

OFFICE OF THE INDIGENT DEFENDER

ELEVENTH JUDICIAL DISTRICT, DESOTO AND SABINE PARISHES

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 1997

<u>Finding No.</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
96-1	The Defender Board did not file its financial statements with the Legislative Auditor within six months of the close of the fiscal year as required by state law.	Unresolved (See 97-2)
96-2	The segregation of duties is inadequate to provide effective internal control.	Unresolved (See 97-1)

# OFFICE OF THE INDIGENT DEFENDER

Eleventh Judicial District - DeSoto and Sabine Parishes, Louisiana  
Post Office Box 689 \* Mansfield, LA 71052

August 27, 1999

**VIA FAX: 318-429-2070**

Mr. Ben Woods  
Heard, McElroy & Vestal  
Deposit Guaranty Tower  
333 Texas Street, 15th Floor  
Shreveport, LA 71101

Re: Audit for 1997 and 1998

Dear Mr. Woods:

I have reviewed your findings contained on page 10 of the audit report and make the following responses:

**Item #97-1 - We concur with the finding. We have begun a plan, which requires that checks be written and recorded by one person and be signed by another. The person who reconciles the bank account each month will not be the person who signs checks.**

**Item #97-2 - We concur with the finding. The secretary who misapplied the funds was dismissed immediately upon our learning of the misapplication, and the board has retained a new staff person who we consider to be extremely competent and of the highest moral character. We will additionally provide constant oversight with respect to her job performance.**

If you should have any questions concerning these responses, please do not hesitate to call or write.

Sincerely,

OFFICE OF THE INDIGENT DEFENDER  
FOR THE ELEVENTH JUDICIAL DISTRICT

By *David B. Means, III*  
David B. Means, III, Chairman

DBM,III/sp