

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Justice  
State of Louisiana  
Baton Rouge, Louisiana

December 22, 1999



***Financial and Compliance Audit Division***

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

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**LEGISLATIVE AUDITOR**

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**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

**Special Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 1999  
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.

December 22, 1999

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**

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

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LEGISLATIVE AUDITOR

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November 17, 1999

Independent Auditor's Report  
on the Financial Statements

**HONORABLE RICHARD P. IEYOUB**  
**ATTORNEY GENERAL**  
**DEPARTMENT OF JUSTICE**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Department of Justice, a department within Louisiana state government, as of and for the year ended June 30, 1999, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Department of Justice. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the financial statements, the accompanying special purpose financial statements present only the funds of the Department of Justice. 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 activity of the department that is 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 special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated funds. These procedures differ from generally accepted accounting principles as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

LEGISLATIVE AUDITOR

HONORABLE RICHARD P. IEYOUB  
ATTORNEY GENERAL  
DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA  
Audit Report, June 30, 1999

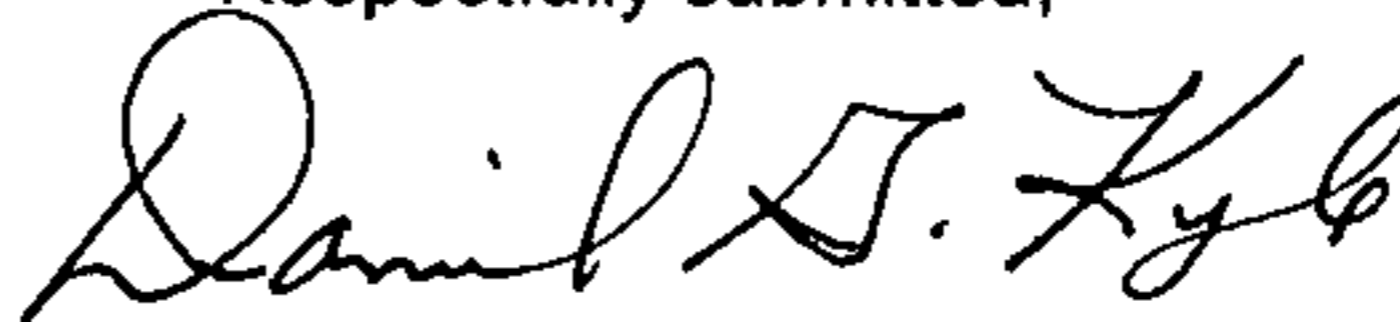
In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Department of Justice at June 30, 1999, and the transactions of the appropriated and non-appropriated funds for the year then ended, on the basis of accounting described in note 1-B.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 1999, on our consideration of the Department of Justice's internal control over financial reporting and our test of its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements of the Department of Justice taken as a whole. The accompanying supplemental information schedules are presented for the purpose of additional analysis and have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are stated fairly in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Department of Justice 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

BB:DLH:DSP:dl

[JUSTICE]



**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA  
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS**

**Balance Sheet (Legal Basis), June 30, 1999**

	APPROPRIATED FUND - GENERAL APPROPRIATION	TRUST FUNDS			COLLECTIONS OF DELINQUENT STUDENT LOANS
		JUSTICES OF THE PEACE AND CONSTABLES TRAINING	CONSUMER ENFORCEMENT	CONTINUING LEGAL EDUCATION	
<b>ASSETS</b>					
Cash (note 2)	\$1,639,578	\$65,946	\$314,140	\$4,817	\$978,704
Accounts receivable	1,073,562				
Due from other funds	9,390				
Due from others (note 3)	1,343,079				21,647
Inventories of materials and supplies (note 1-D)	13,211				
<b>TOTAL ASSETS</b>	<b>\$4,078,820</b>	<b>\$65,946</b>	<b>\$314,140</b>	<b>\$4,817</b>	<b>\$1,000,351</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Payables (note 4)	\$1,662,612				
Advance from state treasury (note 10)	2,050,000				
Due to other funds					\$9,390
Due to others (note 3)	1,339,245			\$4,817	990,961
<b>Total Liabilities</b>	<b>5,051,857</b>	<b>NONE</b>	<b>NONE</b>	<b>4,817</b>	<b>1,000,351</b>
Fund Equity - fund balances (deficit):					
Reserved for:					
Inventories of materials and supplies (note 1-D)	13,211				
Continuing operations (note 11)		\$65,946	\$314,140		
Unreserved - undesignated (deficit) (note 12)	(986,248)				
<b>Total Fund Equity</b>	<b>(973,037)</b>	<b>65,946</b>	<b>314,140</b>	<b>NONE</b>	<b>NONE</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$4,078,820</b>	<b>\$65,946</b>	<b>\$314,140</b>	<b>\$4,817</b>	<b>\$1,000,351</b>

(Continued)

The accompanying notes are an integral part of this statement.

Statement A

NON-APPROPRIATED AGENCY FUNDS						
ESCROW SETTLEMENT	JUSTICES OF THE PEACE AND CONSTABLES ACTIVITY	NONPUBLIC SCHOOLS ESCROW	GOING OUT- OF-BUSINESS	PAYROLL CLEARING	INCOME NOT AVAILABLE	TOTAL (MEMORANDUM ONLY)
\$49,876	\$21,608	\$2,884	\$155,676	\$398,108		\$3,631,337
					\$83,455	1,157,017
						9,390
						1,364,726
						13,211
<u>\$49,876</u>	<u>\$21,608</u>	<u>\$2,884</u>	<u>\$155,676</u>	<u>\$398,108</u>	<u>\$83,455</u>	<u>\$6,175,681</u>
				\$398,108		\$2,060,720
						2,050,000
						9,390
<u>\$49,876</u>	<u>\$21,608</u>	<u>\$2,884</u>	<u>\$155,676</u>		<u>\$83,455</u>	<u>2,648,522</u>
<u>49,876</u>	<u>21,608</u>	<u>2,884</u>	<u>155,676</u>	<u>398,108</u>	<u>83,455</u>	<u>6,768,632</u>
						13,211
						380,086
						(986,248)
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>(592,951)</u>
<u>\$49,876</u>	<u>\$21,608</u>	<u>\$2,884</u>	<u>\$155,676</u>	<u>\$398,108</u>	<u>\$83,455</u>	<u>\$6,175,681</u>



**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA  
APPROPRIATED AND NON-APPROPRIATED FUNDS**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balances (Legal Basis)  
For the Year Ended June 30, 1999**

	GENERAL APPROPRIATION FUND	NON- APPROPRIATED TRUST FUNDS	TOTAL (MEMORANDUM ONLY)
<b>REVENUES</b>			
Appropriated by legislature:			
State General Fund	\$9,461,715		\$9,461,715
State General Fund by:			
Fees and self-generated revenues	10,358,430		10,358,430
Interagency transfers	5,322,393		5,322,393
Federal funds	1,074,687		1,074,687
Non-appropriated revenues		\$317,837	317,837
Total revenues	<u>26,217,225</u>	<u>317,837</u>	<u>26,535,062</u>
<b>EXPENDITURES</b>			
Appropriated expenditures:			
Administrative	3,124,955		3,124,955
Civil law	6,322,493		6,322,493
Criminal law and Medicaid fraud	3,821,458		3,821,458
Risk litigation	9,100,749		9,100,749
Gaming program	3,597,772		3,597,772
Non-appropriated expenditures		114,442	114,442
Total expenditures	<u>25,967,427</u>	<u>114,442</u>	<u>26,081,869</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	249,798	203,395	453,193
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(634,185)</u>	<u>(7,112)</u>	<u>(641,297)</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	(384,387)	196,283	(188,104)
<b>FUND BALANCES (Deficit) AT BEGINNING OF YEAR</b>	(795,898)	183,803	(612,095)
<b>INCREASE IN RESERVE FOR INVENTORY</b>	(2,367)	NONE	(2,367)
<b>ADJUSTMENT (note 13)</b>	<u>209,615</u>	NONE	<u>209,615</u>
<b>FUND BALANCES (Deficit) AT END OF YEAR</b>	<u><u>(\$973,037)</u></u>	<u><u>\$380,086</u></u>	<u><u>(\$592,951)</u></u>

The accompanying notes are an integral part of this statement.

DEPARTMENT OF JUSTICE  
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 Year Ended June 30, 1999

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Appropriated by legislature:			
State General Fund	\$10,166,776	\$9,461,715	(\$705,061)
State General Fund by:			
Fees and self-generated revenues	10,985,005	10,218,786	(766,219)
Interagency transfers	6,413,854	5,053,234	(1,360,620)
Federal funds	1,297,080	1,094,744	(202,336)
Total appropriated revenues	<u>28,862,715</u>	<u>25,828,479</u>	<u>(3,034,236)</u>
<b>EXPENDITURES</b>			
Appropriated for:			
Administrative	3,133,600	3,116,195	17,405
Civil law	7,027,052	6,298,808	728,244
Criminal law and Medicaid fraud	4,539,146	3,787,317	751,829
Risk litigation	9,117,856	9,032,681	85,175
Gaming	5,045,061	3,579,527	1,465,534
Total appropriated expenditures	<u>28,862,715</u>	<u>25,814,528</u>	<u>3,048,187</u>
<b>UNEXPENDED APPROPRIATION - CURRENT YEAR</b>			
	<u>NONE</u>	<u>\$13,951</u>	<u>\$13,951</u>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**

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

**INTRODUCTION**

The Department of Justice is a department within the State of Louisiana reporting entity. The department was created in accordance with Title 36, Chapter 18 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is charged with the authority to institute, prosecute, or intervene in any civil action or proceeding to assert or protect any right or interest of the State of Louisiana. The department provides a full range of legal services to various state agencies and officials. Assistance is also provided to local officials in both civil and criminal matters within the State of Louisiana. The Department of Justice consists of one general appropriation fund, three trust funds, and seven agency funds. The department has 426 authorized full-time employees in the main office in Baton Rouge and the New Orleans, Shreveport, Alexandria, and Lake Charles divisions.

**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 Codification 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 Justice 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.

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.

**DEPARTMENT OF JUSTICE**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

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

**APPROPRIATED FUND - GENERAL  
APPROPRIATION FUND**

The General Appropriation Fund is the general operating fund of the Department of Justice. It administers and accounts for the legislative appropriation provided to fund the general administrative expenditures of the department and those expenditures not funded through other specific legislative appropriations or revenues.

**NON-APPROPRIATED FUNDS**

**Justices of the Peace and Constables  
Training Trust Fund**

The department uses the Justices of the Peace and Constables Training Trust Fund to receive and disburse fees pertaining to training required by Louisiana Revised Statute (R.S.) 49:251.1 for justices of the peace and constables.

**Fedders Settlement Trust Fund**

The department maintains the Fedders Settlement Trust Fund to account for administrative expenses associated with the implementation of the provisions of a consent judgment dated February 1, 1983. The consent judgment was issued by the United States District Court for the Middle District of Louisiana and resulted from a civil action brought against the Fedders Corporation by the State of Louisiana. The fund accomplished its purpose and was closed during the 1999 fiscal year.

**Consumer Enforcement Trust Fund**

The department maintains the Consumer Enforcement Trust Fund for the purpose of funding consumer enforcement actions, including investigations and the costs of administering settlements in such matters pursuant to the consent judgment in the case of "State of Louisiana vs. AAMCO Transmissions, Incorporated," number 312409 Division "G" of the Nineteenth Judicial District Court dated February 18, 1987.



**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**Continuing Legal Education Agency Fund**

The department maintains the Continuing Legal Education Agency Fund to provide continuing legal education seminars to members of the Louisiana State Bar Association and public attorneys licensed to practice law in Louisiana and to keep them current on changes and developments in Louisiana Law.

**Collections of Delinquent Student  
Loans Agency Fund**

The Collections of Delinquent Student Loans Agency Fund accounts for collections of delinquent student loans by the department. The department collects delinquent student loans for all Louisiana public colleges and universities, the Office of Student Financial Assistance, the Charity Hospital School of Nursing, and the Louisiana Department of Education.

**Escrow Settlement Agency Fund**

The Escrow Settlement Agency Fund is used by the department to receive funds provided by a settlement or a court order from individuals or other nonpublic entities and to disburse these funds to third parties.

**Justices of the Peace and Constables  
Activity Agency Fund**

The department uses the Justices of the Peace and Constables Activity Agency Fund to receive and disburse fees pertaining to social activities for justices of the peace and constables. The fees collected are not considered public funds.

**Nonpublic Schools Escrow Agency Fund**

The Nonpublic Schools Escrow Agency Fund is maintained by the department to receive funds provided by a court order. Distribution of these funds may be made to any nonpublic school only upon order of the court.

**Going Out-of-Business Fund**

The Going Out-of-Business Fund is maintained by the department to receive funds from businesses that are closing and are having an inventory liquidation sale. Each business provides a deposit to the department that is held in escrow until refunded 60 days after the liquidation sale.

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**Payroll Clearing Fund**

The Payroll Clearing Fund accounts 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 1.

The non-appropriated funds relating to the Continuing Legal Education Fund, Collections of Delinquent Student Loans, Escrow Settlement, Justices of the Peace and Constables Activity, Nonpublic Schools Escrow, Going Out-of-Business, Payroll Clearing, and Income Not Available are custodial 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 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 are both 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:



**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**Revenues**

State General Fund appropriations are recognized in the amounts appropriated, to the extent *withdrawn from the state treasury*. Fees and self-generated revenues, interagency transfers, and non-appropriated 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. Federal funds are recognized as revenue in the period in which they become susceptible to accrual or when the related expenditure is incurred, in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section G60.111. Self-generated revenues include commissions earned on the collection of delinquent student loans.

**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 recorded 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.

**Other Appropriated Financing Uses**

Other financing uses are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**C. CASH**

Cash includes cash on hand and interest-bearing demand deposits. Under state law, the department may deposit funds within a fiscal agent bank organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States.

**D. INVENTORIES OF MATERIALS AND SUPPLIES**

Inventories are valued at cost, which approximates market, and are recorded as expenditures at the time individual inventory items are purchased. The department uses a periodic inventory system and values its inventory using the first-in, first-out (FIFO) valuation method. 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.

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**E. FIXED ASSETS**

At June 30, 1999, the department has stewardship responsibility for \$5,534,138 in governmental movable property, valued at historical cost at the time of acquisition. The movable property is not reflected in the accompanying special purpose financial statements. A summary of changes in general fixed assets follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Movable property	<u>\$5,113,877</u>	<u>\$881,177</u>	<u>\$460,916</u>	<u>\$5,534,138</u>

In accordance with R.S. 39:321-332, the Department of Justice 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, 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 assure compliance with the annual appropriation act. Encumbrances are not included in the accompanying financial statements because R.S. 39:82 and the annual appropriation act do not allow the department to charge encumbrances at year-end against its current-year appropriation, the basis upon which the accompanying financial statements have been prepared.

**H. BUDGET PRACTICES**

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

1. 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-B, except that transfers in and out and funds carried forward

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

from the prior year are recognized as revenues on Statement C, while federal receivables attributable to the payroll accrual at fiscal year-end are not recognized as revenues on Statement C. In addition, salaries and related benefits are recognized when paid on Statement C. Revenues and expenditures, as shown on Statement B, are reconciled with the respective amounts shown on Statement C as follows:

Statement B revenues	\$26,217,225
Add:	
Prior-year federal funds payroll accrual	40,796
Interagency transfer carry forward from 1997-98	163,466
Self-generated carry forward from 1997-98	60,100
Federal funds carry forward from 1997-98	27,577
Less:	
Other fund uses - transfers out	(634,185)
Current-year federal funds payroll accrual	<u>(46,500)</u>
 Statement C revenues	 <u><u>\$25,828,479</u></u>
 Statement B expenditures	 \$25,967,427
Add - prior-year payroll accrual	879,851
Less - current-year payroll accrual	<u>(1,032,750)</u>
 Statement C expenditures	 <u><u>\$25,814,528</u></u>

2. The department is prohibited by statute from over expending the program levels established in the general appropriation act.
3. 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:

**DEPARTMENT OF JUSTICE**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Original approved budget	\$27,556,516
Increase for:	
Prior-year carry forward	337,478
Interagency transfer	454,302
Federal funds	10,000
Fees and self-generated	<u>504,419</u>
 Total budget amount	 <u><u>\$28,862,715</u></u>

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

**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 \$1,295,896. 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 Justice Policy Manual and the Fair Labor Standards Act. The employees can earn and accumulate one hour for each hour of overtime worked, depending on their job classification, and are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another. Upon termination, employees are compensated for unused compensatory leave depending upon their rate of pay. The liability for accrued compensatory leave at June 30, 1999, is \$50,761. The leave payable is not recorded in the accompanying special purpose financial statements.

**J. TOTAL COLUMNS ON STATEMENTS**

The total columns on the financial statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither are such data comparable to a consolidation.



**DEPARTMENT OF JUSTICE**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**2. CASH**

Cash is composed of the following (book balances):

Under control of the department:	
Petty cash (on hand and in banks)	\$7,675
Cash in demand accounts	474,699
Cash on deposit with the state treasury	<u>3,148,963</u>
 Total	 <u><u>\$3,631,337</u></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 amount on deposit with the fiscal agent. The department has deposits (collected bank balances) of \$512,900 at June 30, 1999, for which the department has control. These deposits are secured from risk by \$105,000 of federal deposit insurance (GASB Risk Category 1) and \$407,900 of pledged securities held in the name of the pledging fiscal agent bank in a holding bank (GASB Risk Category 3).

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:

Appropriated funds:	
Means of finance	\$1,513,617
ISIS operating	99,974
Non-appropriated funds	1,137,264
Payroll clearing	<u>398,108</u>
 Total	 <u><u>\$3,148,963</u></u>

**3. DUE FROM/TO OTHERS**

The following is a summary of amounts due from/to others at June 30, 1999:

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

	Appropriated Fund - General Appropriation	Continuing Legal Education	Non-Appropriated Collections of Delinquent Student Loans	Escrow Settlement
Due from others:				
Other agencies - interagency transfers	\$1,178,110			
Federal government	140,956			
Other	24,013		\$21,647	
	<u>\$1,343,079</u>	<u>NONE</u>	<u>\$21,647</u>	<u>NONE</u>
Due to others:				
State General Fund	\$1,339,245			
State Treasury				
Universities and court costs			\$363,016	
Guarantor agencies			627,945	
Plaintiffs				\$49,876
Other		\$4,817		
	<u>\$1,339,245</u>	<u>\$4,817</u>	<u>\$990,961</u>	<u>\$49,876</u>

**4. PAYABLES**

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

General appropriation:	
Accounts payable	\$629,862
Accrued payroll payable	1,032,750
Non-appropriated:	
Accrued employee benefits payable	223,730
Payroll deductions payable	174,378
	<u>223,730</u>
Total	<u>\$2,060,720</u>



Funds

Justices of the Peace and Constables Activity	Nonpublic Schools Escrow	Going Out-of- Business	Income Not Available
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
\$21,608	\$2,884	\$155,676	\$83,455
<u>\$21,608</u>	<u>\$2,884</u>	<u>\$155,676</u>	<u>\$83,455</u>

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**5. PENSION PLANS**

Substantially all employees of the department are members of three statewide public employee retirement systems. Certain unclassified state employees are members of the Louisiana Teachers Retirement System (TRS) and the Municipal Police Employees' Retirement System (MPERS) and other unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). All plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Required disclosures for the TRS and LASERS for fiscal year 1998-99 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095. The MPERS issues annual publicly available financial statements and required supplementary information for the system. The reports may be obtained by writing to the Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana 70809-7017, or by calling 1-800-443-4248 or (225) 929-7411.

**6. 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 and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 1999, the costs of retiree benefits totaled \$76,333.

**7. JUDGMENTS, CLAIMS, AND  
SIMILAR CONTINGENCIES**

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by General Fund appropriation 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.

**8. LEASE OBLIGATIONS**

There were no capital leases for fiscal year ending June 30, 1999.

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The department has noncancelable operating leases for rental of office space, office equipment, parking space, vehicles, and security systems. The annual rental payments for the next five fiscal years are as follows:

<u>Fiscal Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
1999-2000	\$1,201,330	\$99,115	\$63,707	\$1,364,152
2000-2001	1,015,768		24,498	1,040,266
2001-2002	887,860		20,862	908,722
2002-2003	867,325			867,325
2003-2004	492,994			492,994
Total	<u>\$4,465,277</u>	<u>\$99,115</u>	<u>\$109,067</u>	<u>\$4,673,459</u>

Most lease agreements have non-appropriation exculpatory 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 year ended June 30, 1999, totaled \$1,273,882.

**9. INSTALLMENT PURCHASES**

The department has entered into various installment purchase agreements with the Division of Administration under the Louisiana Equipment Acquisition Fund (LEAF) Program for the purchase of equipment. The following is a summary of installment payments of the department for the year ended June 30, 1999:

Balance at June 30, 1998	\$74,792
Installment payments in fiscal year 1999	<u>(70,073)</u>
Balance at June 30, 1999	<u>\$4,719</u>

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

Fiscal year 1999-2000	\$4,740
Less - amount representing interest	<u>(21)</u>
Total	<u>\$4,719</u>

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**10. ADVANCE FROM STATE TREASURY**

The department has received advances from the state treasury for imprest fund operations and working capital totaling \$50,000 and \$2,000,000, respectively. The advances, as reflected in the accompanying statements, represent a liability to the department and must be repaid if not authorized annually.

**11. RESERVED FOR CONTINUING OPERATIONS**

As shown on Statement A, at June 30, 1999, the department has reserves for continuing operations totaling \$380,086, which may be retained for future expenditures as follows:

<u>Fund</u>	<u>Legal Authority</u>	<u>Restricted Balance</u>
Justices of the Peace and Constables Training Trust Fund	R.S. 49:251.1	\$65,946
Consumer Enforcement Trust Fund	Court Settlements	<u>314,140</u>
Total		<u><u>\$380,086</u></u>

These reserves relate to programs that are not subject to an annual appropriation, the lapsing provisions of the annual appropriation act, or to appropriations in which the legislature has authorized the department to retain the fund balance of the program for future operations of the program.

**12. FUND DEFICIT**

The General Appropriation Fund had a fund deficit of \$986,248 for the year ended June 30, 1999. The deficit was the result of the recognition of accrued salaries and related benefits that were required by the Office of the Governor, Division of Administration, but not included in the 1998-99 fiscal year budget. The department resolved the deficit by liquidating the liabilities with funds appropriated in the 1999-2000 fiscal year. These obligations are included in the accompanying financial statements.

**13. ADJUSTMENT TO FUND BALANCE  
AT BEGINNING OF YEAR**

The adjustment to the beginning fund balance of the General Appropriation Fund, as shown on Statement B, reflects a \$209,615 adjustment of prior-year expenditures and surplus remitted to the General Fund.

**DEPARTMENT OF JUSTICE**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

**14. CHANGE IN ACCOUNTING PRINCIPLES**

Before fiscal year June 30, 1998, the department's Non-Appropriated Agency Funds were reported on the cash basis of accounting. The Division of Administration, Office of Statewide Accounting and Reporting, has determined that Non-Appropriated Agency Funds should be on the modified accrual basis of accounting. Beginning balances for agency funds have been adjusted on Schedule 3 as follows:

	<u>Collections of Delinquent Student Loans</u>	<u>Going Out- of-Business</u>
Beginning balances at July 1, 1998	\$132,920	\$51,215
Adjustments to prior-year balances to convert from a cash basis of accounting to modified accrual basis of accounting:		
Receivables (increase)	18,352	
Payables (increase)	<u>(78,374)</u>	<u>(5,000)</u>
Beginning balances at July 1, 1998 - restated	<u>\$72,898</u>	<u>\$46,215</u>

**15. DEFERRED COMPENSATION PLAN**

Certain employees of the Department of Justice 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 JUSTICE  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
As of and for the Year Ended June 30, 1999**

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

Schedule 1 reflects income not available collected by the department during the year that was not available to the department for expenditures.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - NON-APPROPRIATED TRUST FUNDS**

Schedule 2 presents the revenues, expenditures, and changes in fund balances for the Justices of the Peace and Constables Training, Fedders Settlement, and Consumer Enforcement Trust funds for the year ended June 30, 1999.

**SCHEDULE OF CHANGES IN BALANCES**

Changes in balances for the Non-Appropriated - Payroll Clearing Fund and Agency Funds for the year ended June 30, 1999, are presented on Schedule 3.



DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA  
INCOME NOT AVAILABLE

Schedule of Non-Appropriated Revenues  
For the Year Ended June 30, 1999

NON-APPROPRIATED REVENUE FUND SOURCE	CASH RECEIPTS THROUGH JUNE 30, 1999	ACCOUNTS RECEIVABLE AT JUNE 30, 1999	TOTAL REVENUES
Garnishments, fees, and suit settlements	\$664,579	\$6,538	\$671,117
Indirect cost - Medicaid fraud	54,495	76,917	131,412
Total Non-Appropriated Revenues	<u>\$719,074</u>	<u>\$83,455</u>	<u>\$802,529</u>

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA  
NON-APPROPRIATED TRUST FUNDS**

**Schedule of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 1999**

	JUSTICES OF THE PEACE AND CONSTABLES TRAINING	FEDDERS SETTLEMENT	CONSUMER ENFORCEMENT	TOTAL
<b>REVENUES</b>				
Registration fees	\$54,490			\$54,490
Petty cash closings	1,180			1,180
Other revenue	109		\$75	184
Court settlements			261,983	261,983
Total revenues	<u>55,779</u>	<u>NONE</u>	<u>262,058</u>	<u>317,837</u>
<b>EXPENDITURES</b>				
Hotel, food, and travel	42,628		11,258	53,886
Operating services	7,282		1,200	8,482
Supplies	2,581		650	3,231
Refunds	3,005		1,101	4,106
Other expenditures			44,737	44,737
Total expenditures	<u>55,496</u>	<u>NONE</u>	<u>58,946</u>	<u>114,442</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	283	NONE	203,112	203,395
<b>OTHER FINANCING USES</b>				
Transfers to State Treasury	NONE	(\$7,112)	NONE	(7,112)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>65,663</u>	<u>7,112</u>	<u>111,028</u>	<u>183,803</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$65,946</u>	<u>NONE</u>	<u>\$314,140</u>	<u>\$380,086</u>

**DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA  
NON-APPROPRIATED AGENCY FUNDS**

**Schedule of Changes in Balances  
For the Year Ended June 30, 1999**

	CONTINUING LEGAL EDUCATION	COLLECTIONS OF DELINQUENT STUDENT LOANS	ESCROW SETTLEMENT
<b>BALANCES AT BEGINNING OF YEAR</b>	<u>\$6,213</u>	<u>\$72,898</u>	<u>\$25,482</u>
<b>ADDITIONS</b>			
Transfers from general appropriation			
Deposits			74,912
Collections of student loans		3,279,579	
Commissions earned		922,676	
Registration/activities fees	675		
Court costs		217,174	
Petty cash closings			
<b>Total additions</b>	<u>675</u>	<u>4,419,429</u>	<u>74,912</u>
<b>Total</b>	<u>6,888</u>	<u>4,492,327</u>	<u>100,394</u>
<b>DEDUCTIONS</b>			
Payroll, payroll deductions, and related benefits			
Payments to plaintiffs			7,943
Disbursements of collected student loans:			
Universities		756,889	
Guarantors		1,659,222	
Unclaimed property			42,575
Commissions earned		922,676	
Hotel, food, and travel	2,071		
Refunds			
Other/court costs		162,579	
Petty cash established			
Supplies			
<b>Total deductions</b>	<u>2,071</u>	<u>3,501,366</u>	<u>50,518</u>
<b>BALANCES AT END OF YEAR</b>	<u>\$4,817</u>	<u>\$990,961</u>	<u>\$49,876</u>

JUSTICES OF THE PEACE AND CONSTABLES ACTIVITY	NONPUBLIC SCHOOLS ESCROW	GOING OUT- OF-BUSINESS	PAYROLL CLEARING
\$25,093	\$6,847,280	\$46,215	\$353,645
67		127,285	25,817,905
8,705			
750			
9,522	NONE	127,285	25,817,905
34,615	6,847,280	173,500	26,171,550
			25,773,442
	6,844,396		
465			
367			
6,610		17,824	
1,950			
3,615			
13,007	6,844,396	17,824	25,773,442
\$21,608	\$2,884	\$155,676	\$398,108

**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control 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. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

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November 17, 1999

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

**HONORABLE RICHARD P. IEYOUB**  
**ATTORNEY GENERAL**  
**DEPARTMENT OF JUSTICE**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of Justice, a department within Louisiana state government, as of and for the year ended June 30, 1999, and have issued our report thereon dated November 17, 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 Department of Justice's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department of Justice's internal control over financial reporting in order 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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

**EXHIBIT A**



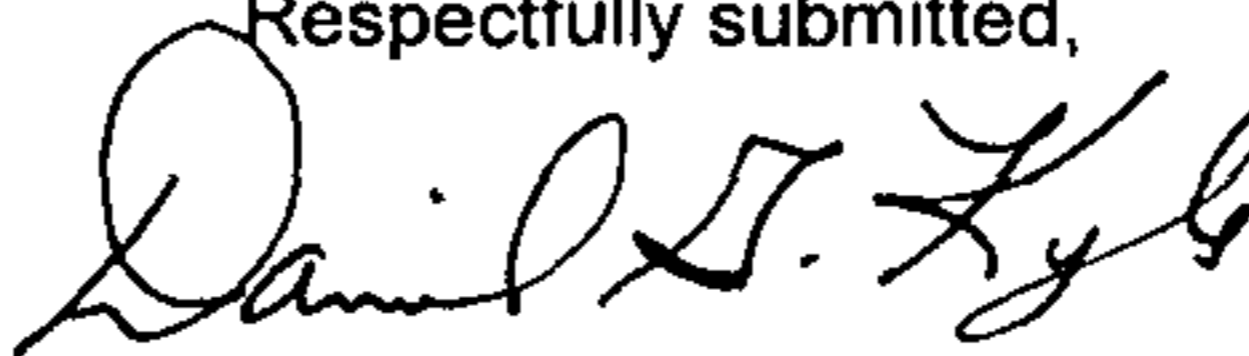
**LEGISLATIVE AUDITOR**

**HONORABLE RICHARD P. IEYOUB  
ATTORNEY GENERAL  
DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA**  
Compliance and Internal Control Report  
November 17, 1999  
Page 2

period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Department of Justice 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,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with a large initial "D" and "K".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

BB:DLH:DSP:dl

[JUSTICE]