

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

State Licensing Board for Contractors  
Department of Economic Development  
State of Louisiana  
Baton Rouge, Louisiana

July 12, 2000



***Financial and Compliance Audit Division***

---

---

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

**LEGISLATIVE AUDIT ADVISORY COUNCIL**

**MEMBERS**

**Representative Edwin R. Murray, Chairman**  
**Senator J. "Tom" Schedler, Vice Chairman**

**Senator Robert J. Barham**  
**Senator Foster L. Campbell, Jr.**  
**Senator Lynn B. Dean**  
**Senator Willie L. Mount**  
**Representative Rick Farrar**  
**Representative Victor T. Stelly**  
**Representative T. Taylor Townsend**  
**Representative Warren J. Triche, Jr.**

**LEGISLATIVE AUDITOR**

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

**DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT**

**Albert J. Robinson, Jr., CPA**

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Thirty-eight copies of this public document were produced at an approximate cost of \$89.00. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. A copy of this document is available on the Legislative Auditor's Web site at [www.la.state.la.us](http://www.la.state.la.us).

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended December 31, 1999  
With Supplemental Information Schedule**

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.

July 12, 2000

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**

General Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended December 31, 1999  
With Supplemental Information Schedule

**CONTENTS**

|   | <b>Statement</b> | <b>Page No.</b> |
|---|------------------|-----------------|
| Independent Auditor's Report on the Financial Statements  |                  | 2               |
| General Purpose Financial Statements:   |                  |                 |
| Balance Sheet - All Fund Types and Account Groups   | A                | 4               |
| Statement of Revenues, Expenditures, and<br>Changes in Fund Balance - Governmental<br>and Expendable Trust Funds  | B                | 6               |
| Statement of Revenues, Expenditures, and<br>Changes in Fund Balance - Budget (GAAP<br>Basis) and Actual General and Special<br>Revenue Funds  | C                | 7               |
| Notes to the Financial Statements   |                  | 9               |
|   | <b>Schedule</b>  | <b>Page No.</b> |
| Supplemental Information Schedule - Schedule<br>of Per Diem Paid Board Members  | 1                | 19              |
|   | <b>Exhibit</b>   |                 |
| <i>Report on Compliance and on Internal Control Over<br/>Financial Reporting Based on an Audit of the General<br/>Purpose Financial Statements Performed in Accordance<br/>With Government Auditing Standards</i> | A                |                 |
|   | <b>Appendix</b>  |                 |
| Management's Corrective Action Plans and<br>Responses to the Findings and Recommendations   | A                |                 |



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

DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

June 1, 2000, except for the finding in  
Exhibit A titled "Improper and Unsecured Investments,"  
dated July 10, 2000

Independent Auditor's Report on  
the Financial Statements

**STATE LICENSING BOARD FOR CONTRACTORS**  
**DEPARTMENT OF ECONOMIC DEVELOPMENT**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying general purpose financial statements of the State Licensing Board for Contractors, a component unit of the State of Louisiana, as of and for the year ended December 31, 1999, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of management of the State Licensing Board for Contractors. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The financial statements of the State Licensing Board for Contractors as of December 31, 1998, were audited by other auditors whose report dated June 15, 1999, expressed an unqualified opinion on those statements.

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

In our opinion, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State Licensing Board for Contractors as of December 31, 1999, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

We also audited the adjustments described in note 13 that were applied to restate the 1998 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

As described in note 14 to the general purpose financial statements, the Contractor's Educational Trust Fund, which was previously excluded, has been reported in 1999 as an expendable trust fund.

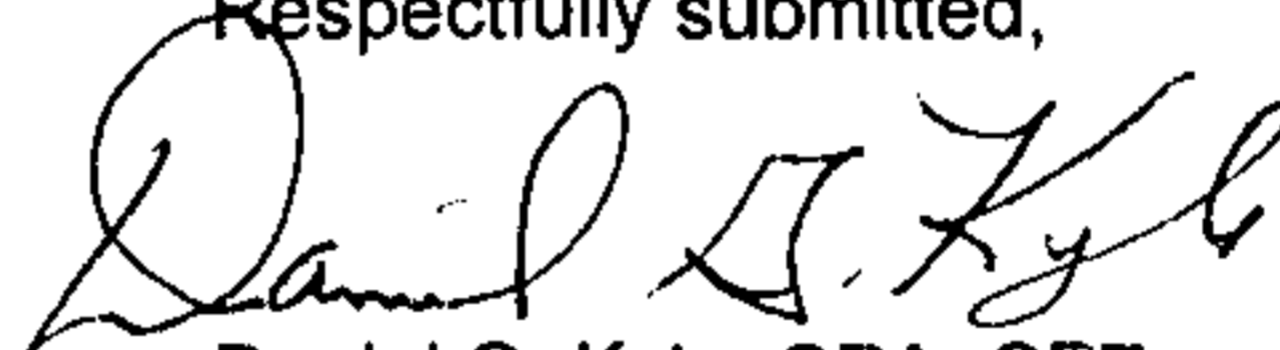
LEGISLATIVE AUDITOR

STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
Audit Report, December 31, 1999

In accordance with *Government Auditing Standards*, we have also issued a report dated June 1, 2000, on our consideration of the State Licensing Board for Contractors' internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and the trust agreement. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the State Licensing Board for Contractors. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

LBL:WMB:PEP:dl

[SLBC]

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
ALL FUND TYPES AND ACCOUNT GROUPS**

**Balance Sheet, December 31, 1999**

|  | GOVERNMENTAL<br>FUND TYPES |                            | EXPENDABLE<br>TRUST<br>FUND |
|--|----------------------------|----------------------------|-----------------------------|
|  | GENERAL<br>FUND            | SPECIAL<br>REVENUE<br>FUND |                             |
| <b>ASSETS AND OTHER DEBITS</b>                                   |                            |                            |                             |
| Cash and cash equivalents (note 2)                               | \$2,418,703                |                            | \$288,527                   |
| Investments (note 3)   | 1,008,530                  |                            |                             |
| Accounts receivable  | 2,988                      |                            | 1,175                       |
| Accrued interest receivable                                      | 23,479                     |                            |                             |
| Due from other funds (note 10)                                   |                            | \$140,930                  | 127,503                     |
| Property and equipment (note 4)                                  |                            |                            |                             |
| Other debits - amount to be provided for<br>compensated absences |                            |                            |                             |
| <b>TOTAL ASSETS AND<br/>OTHER DEBITS</b>                         | <b>\$3,453,700</b>         | <b>\$140,930</b>           | <b>\$417,205</b>            |
| <b>LIABILITIES, EQUITY, AND<br/>OTHER CREDITS</b>                |                            |                            |                             |
| Liabilities:   |                            |                            |                             |
| Accounts payable   | \$153,027                  | \$276                      |                             |
| Due to other funds (note 10)                                     | 209,779                    | 58,654                     |                             |
| Deferred revenue (note 9)  | 1,697,775                  | 82,000                     |                             |
| Accrued compensated absences (note 7)                            |                            |                            |                             |
| <b>Total Liabilities</b>   | <b>2,060,581</b>           | <b>140,930</b>             | <b>NONE</b>                 |
| Fund Equity and Other Credits:                                   |                            |                            |                             |
| Investment in general fixed assets                               |                            |                            |                             |
| Fund balance - unreserved - undesignated                         | 1,393,119                  |                            | \$417,205                   |
| <b>Total Equity and Other Credits</b>                            | <b>1,393,119</b>           | <b>NONE</b>                | <b>417,205</b>              |
| <b>TOTAL LIABILITIES, EQUITY,<br/>AND OTHER CREDITS</b>          | <b>\$3,453,700</b>         | <b>\$140,930</b>           | <b>\$417,205</b>            |

The accompanying notes are an integral part of this statement.

Statement A

| ACCOUNT GROUPS             |                                     | TOTAL<br>(MEMORANDUM<br>ONLY) |
|----------------------------|-------------------------------------|-------------------------------|
| GENERAL<br>FIXED<br>ASSETS | GENERAL<br>LONG-TERM<br>OBLIGATIONS |                               |
|                            |                                     | \$2,707,230                   |
|                            |                                     | 1,008,530                     |
|                            |                                     | 4,163                         |
|                            |                                     | 23,479                        |
|                            |                                     | 268,433                       |
| \$2,761,814                |                                     | 2,761,814                     |
|                            | \$148,426                           | 148,426                       |
| <u>\$2,761,814</u>         | <u>\$148,426</u>                    | <u>\$6,922,075</u>            |
|                            |                                     | \$153,303                     |
|                            |                                     | 268,433                       |
|                            |                                     | 1,779,775                     |
|                            | \$148,426                           | 148,426                       |
| NONE                       | 148,426                             | 2,349,937                     |
| \$2,761,814                |                                     | 2,761,814                     |
|                            |                                     | 1,810,324                     |
| <u>2,761,814</u>           | <u>NONE</u>                         | <u>4,572,138</u>              |
| <u>\$2,761,814</u>         | <u>\$148,426</u>                    | <u>\$6,922,075</u>            |



STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
GOVERNMENTAL AND EXPENDABLE TRUST FUNDS

Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
For the Year Ended December 31, 1999

|   | GOVERNMENTAL<br>FUND TYPES |                            | EXPENDABLE<br>TRUST<br>FUND) | TOTAL<br>(MEMORANDUM<br>ONLY) |
|---|----------------------------|----------------------------|------------------------------|-------------------------------|
|   | GENERAL<br>FUND            | SPECIAL<br>REVENUE<br>FUND |                              |                               |
| <b>REVENUES</b>   |                            |                            |                              |                               |
| Licenses and permits  | \$2,477,573                | \$167,600                  |                              | \$2,645,173                   |
| Investment income   | 115,451                    |                            | \$14,092                     | 129,543                       |
| Rental income   | 6,048                      |                            |                              | 6,048                         |
| Total revenues  | <u>2,599,072</u>           | <u>167,600</u>             | <u>14,092</u>                | <u>2,780,764</u>              |
| <b>EXPENDITURES</b>   |                            |                            |                              |                               |
| Public safety - licensing of contractors:   |                            |                            |                              |                               |
| Salaries  | 1,754,785                  | 86,137                     |                              | 1,840,922                     |
| Travel  | 158,044                    |                            |                              | 158,044                       |
| Operating services  | 479,914                    | 14,432                     |                              | 494,346                       |
| Supplies  | 50,833                     | 1,877                      |                              | 52,710                        |
| Capital outlay  | 1,690,835                  |                            |                              | 1,690,835                     |
| Professional services   | 124,575                    | 6,500                      |                              | 131,075                       |
| Education:  |                            |                            |                              |                               |
| Grants and allocations  |                            |                            | 307,589                      | 307,589                       |
| Professional services   |                            |                            | 1,800                        | 1,800                         |
| Trustee fees  |                            |                            | 1,963                        | 1,963                         |
| Total expenditures  | <u>4,258,986</u>           | <u>108,946</u>             | <u>311,352</u>               | <u>4,679,284</u>              |
| <b>EXCESS (Deficiency) OF REVENUES<br/>OVER EXPENDITURES</b>  | <u>(1,659,914)</u>         | <u>58,654</u>              | <u>(297,260)</u>             | <u>(1,898,520)</u>            |
| <b>OTHER FINANCING SOURCES (Uses)</b>   |                            |                            |                              |                               |
| Transfers in (note 11)  |                            |                            | 127,503                      | 127,503                       |
| Transfers out (note 11)   | (68,849)                   | (58,654)                   |                              | (127,503)                     |
| Total other financing sources (uses)  | <u>(68,849)</u>            | <u>(58,654)</u>            | <u>127,503</u>               | <u>NONE</u>                   |
| <b>EXCESS (Deficiency) OF REVENUES AND<br/>OTHER FINANCING SOURCES OVER<br/>EXPENDITURES AND OTHER FINANCING<br/>USES</b> | <u>(1,728,763)</u>         | <u>NONE</u>                | <u>(169,757)</u>             | <u>(1,898,520)</u>            |
| <b>FUND BALANCE AT BEGINNING OF YEAR<br/>AS RESTATED (note 13)</b>  | <u>3,121,882</u>           | <u>NONE</u>                | <u>586,962</u>               | <u>3,708,844</u>              |
| <b>FUND BALANCE AT END OF YEAR</b>  | <u><u>\$1,393,119</u></u>  | <u><u>NONE</u></u>         | <u><u>\$417,205</u></u>      | <u><u>\$1,810,324</u></u>     |

The accompanying notes are an integral part of this statement.

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
GENERAL AND SPECIAL REVENUE FUNDS**

**Statement of Revenues, Expenditures,  
and Changes in Fund Balance - Budget  
(GAAP Basis) and Actual  
For the Year Ended December 31, 1999**

|   | GENERAL FUND     |                    |  |
|---|------------------|--------------------|--|
|   | BUDGET           | ACTUAL             | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
| <b>REVENUES</b>   |                  |                    |  |
| Licenses and permits  | \$2,269,415      | \$2,477,573        | \$208,158                              |
| Investment income   | 145,000          | 115,451            | (29,549)                               |
| Rental income   | 6,048            | 6,048              |  |
| Total revenues  | <u>2,420,463</u> | <u>2,599,072</u>   | <u>178,609</u>                         |
| <b>EXPENDITURES</b>   |                  |                    |  |
| Public safety - licensing of contractors:   |                  |                    |  |
| Salaries  | 1,937,939        | 1,754,785          | 183,154                                |
| Travel  | 222,200          | 158,044            | 64,156                                 |
| Operating services  | 710,242          | 479,914            | 230,328                                |
| Supplies  | 59,050           | 50,833             | 8,217                                  |
| Capital outlay  | 2,108,639        | 1,690,835          | 417,804                                |
| Professional services   | 140,128          | 124,575            | 15,553                                 |
| Total expenditures  | <u>5,178,198</u> | <u>4,258,986</u>   | <u>919,212</u>                         |
| <b>EXCESS (Deficiency) OF REVENUES<br/>OVER EXPENDITURES</b>  | (2,757,735)      | (1,659,914)        | 1,097,821                              |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                  |                    |  |
| Transfers out - Trust Fund  | <u>NONE</u>      | <u>(68,849)</u>    | <u>(68,849)</u>                        |
| <b>EXCESS (Deficiency) OF REVENUES AND<br/>OTHER FINANCING SOURCES OVER (Under)<br/>EXPENDITURES AND OTHER FINANCING USES</b> | (2,757,735)      | (1,728,763)        | 1,028,972                              |
| <b>FUND BALANCE AT BEGINNING OF YEAR<br/>AS RESTATED (note 13)</b>  | <u>3,051,524</u> | <u>3,121,882</u>   | <u>70,358</u>                          |
| <b>FUND BALANCE AT END OF YEAR</b>  | <u>\$293,789</u> | <u>\$1,393,119</u> | <u>\$1,099,330</u>                     |

The accompanying notes are an integral part of this statement.

| SPECIAL REVENUE FUND |                    |  |
|----------------------|--------------------|--|
| BUDGET               | ACTUAL             | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
| \$138,000            | \$167,600          | \$29,600                               |
| <u>138,000</u>       | <u>167,600</u>     | <u>29,600</u>                          |
| 96,453               | 86,137             | 10,316                                 |
| 2,000                |                    | 2,000                                  |
| 21,899               | 14,432             | 7,467                                  |
| 2,650                | 1,877              | 773                                    |
| 1,000                |                    | 1,000                                  |
| 10,000               | 6,500              | 3,500                                  |
| <u>134,002</u>       | <u>108,946</u>     | <u>25,056</u>                          |
| 3,998                | 58,654             | 54,656                                 |
| <u>(3,998)</u>       | <u>(58,654)</u>    | <u>(54,656)</u>                        |
| NONE                 | NONE               | NONE                                   |
| <u>NONE</u>          | <u>NONE</u>        | <u>NONE</u>                            |
| <u><u>NONE</u></u>   | <u><u>NONE</u></u> | <u><u>NONE</u></u>                     |

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**

*Notes to the Financial Statements*  
As of and for the Year Ended December 31, 1999

**INTRODUCTION**

The Louisiana State Licensing Board for Contractors is a component unit of the State of Louisiana created within the Louisiana Department of Economic Development, as provided by Louisiana Revised Statute (R.S.) 37:2150. The board is statutorily composed of 15 members appointed by the governor, who serve terms of two to six years. The board is charged with the responsibility of protecting the health, safety, and general welfare of all persons dealing with those who are engaged in the contracting vocation, and affording such persons effective and practical protection against the incompetent, inexperienced, unlawful, and fraudulent acts of contractors with whom they contract. Furthermore, legislative intent is that the board shall monitor construction projects to ensure compliance with the licensure requirements. The board's operations are financed with self-generated license, examination, and other related fees. As of December 31, 1999, there were 15,119 licensed contractors in the state. The board has 56 employees.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

**B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The board is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the board members, and public service is rendered within the state's boundaries. The accompanying financial statements present only activity of the State Licensing Board for Contractors, a component unit of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include activity contained in the accompanying financial statements.

**C. FUND ACCOUNTING**

The accounts of the board are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

**STATE LICENSING BOARD FOR CONTRACTORS**  
**DEPARTMENT OF ECONOMIC DEVELOPMENT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The board has three funds, a General Fund and a special revenue fund, classified as governmental funds, and an expendable trust fund, classified as a fiduciary fund. The General Fund accounts for the board's general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition or construction of general fixed assets. The special revenue fund accounts for proceeds of other specific revenue sources that are legally restricted to expenditures for specified purposes. The expendable trust fund accounts for activities of the Contractor's Educational Trust Fund described in note 14.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund, special revenue fund, and expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement presents increases and decreases in net current assets. The modified accrual basis of accounting is used by all funds. The board uses the following practices in recording revenues and expenditures in the funds:

**Revenues**

Revenues are recognized when they become measurable and available. Licenses are issued on a calendar year, become due on November 15 of each year, and become delinquent on December 31. The license fees collected in November and December are recorded as deferred revenue on the balance sheet. Surcharge fees collected from out-of-state applicants are reported in the special revenue fund as required by R.S. 37:2156.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual leave, which is recognized when paid.

**E. BUDGET PRACTICES**

Annually, the board is required to submit a proposed budget to the Office of the Legislative Auditor, the Joint Legislative Committee on the Budget, the Legislative Fiscal Office, the Department of Economic Development, and the Commerce and Consumer Protection Committee, as prescribed by R.S. 39:1335. The budget for fiscal year ended

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

December 31, 1999, was adopted by the board on December 17, 1998, and is prepared and reported on a modified accrual (GAAP) basis of accounting. Although budgeted amounts lapse at year-end, the board retains its unexpended fund balance to fund expenditures of the succeeding year. The budget amounts on Statement C reflect the amended adopted budget for fiscal year ended December 31, 1999. There were 15 amendments made to the 1999 budget between categories; however, the total amount budgeted was not amended.

**F. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and cash equivalents include petty cash, demand deposits, and certificates of deposit. Under state law, the board may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificates of accounts of federal or state chartered credit unions.

Under state law, the State Licensing Board for Contractors is authorized to invest in direct U.S. Treasury obligations. These investments are U.S. Treasury and other U.S. governmental entity securities with maturities of over one year at the time of purchase. The securities are reported at fair value using quoted market prices.

**G. GENERAL FIXED ASSETS AND  
LONG-TERM OBLIGATIONS**

Fixed assets are accounted for in the general fixed assets account group, rather than in the General Fund. Depreciation has not been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term obligations expected to be financed from the General Fund are accounted for in the general long-term obligations account group.

**H. EMPLOYEE COMPENSATED ABSENCES**

Employees of the board earn and accumulate vacation and sick leave at varying rates, depending on their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate of pay at the time of termination.

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund when leave is actually taken. The cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

**I. INTERFUND TRANSACTIONS**

Transactions that constitute reimbursement to a fund for expenditures, initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as operating transfers.

**J. TOTAL COLUMNS ON STATEMENTS**

The total columns on the 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 operation in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**2. CASH AND CASH EQUIVALENTS**

At December 31, 1999, the board has cash and cash equivalents (book balances) totaling \$2,707,230 as follows:

|                         |                           |
|-------------------------|---------------------------|
| Petty cash              | \$200                     |
| Demand deposits         | 302,466                   |
| Money market accounts   | 808,564                   |
| Certificates of deposit | <u>1,596,000</u>          |
| Total                   | <u><u>\$2,707,230</u></u> |

These deposits are stated at cost, which approximates fair value. 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. At December 31, 1999, the board has \$2,775,362 in deposits (collected bank balances). These deposits are secured from risk by \$609,070 of federal deposit insurance and \$1,357,728 of pledged securities held by the custodial bank in the name of the board (GASB Category 1). In addition, deposits totaling \$808,564 are considered uninsured and uncollateralized (GASB Category 3) in money market funds.

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**3. INVESTMENTS**

At December 31, 1999, investments of the board total \$1,008,530, which consists of U.S. government securities. These investments are stated at fair value as required by GASB Statement 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools. The board used quoted market values to determine fair value of the investments.

These investments are categorized to give an indication of the level of risk assumed by the entity at year-end. U.S. government securities totaling \$1,008,530 are considered uninsured and unregistered because the securities are not in the name of the board and are held by the fiscal agent and/or its trust department in an account for the board (GASB Category 3).

**4. CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

|  | Balance<br>December 31,<br>1998 | Adjustments    | Additions          | Deletions       | Balance<br>December 31,<br>1999 |
|--|---------------------------------|----------------|--------------------|-----------------|---------------------------------|
| Land                                   | \$519,993                       |                |                    |                 | \$519,993                       |
| Building (construction<br>in progress) | 243,641                         |                | \$1,689,410        |                 | 1,933,051                       |
| Equipment                              | 326,833                         | \$6,815        | 1,425              | \$26,303        | 308,770                         |
| Total                                  | <u>\$1,090,467</u>              | <u>\$6,815</u> | <u>\$1,690,835</u> | <u>\$26,303</u> | <u>\$2,761,814</u>              |

The board began construction of a new building in 1999. Total costs to date are \$1,933,051. The building was completed and occupied in January 2000.

**5. RETIREMENT SYSTEM**

Substantially all employees of the board are members of the Louisiana State Employees Retirement System (LASERS), a cost sharing, multiple-employer defined benefit pension plan. LASERS is a statewide public employee retirement system for the benefit of state employees, which is administered and controlled by a separate board of trustees. LASERS provides retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement system are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974.

Generally, all full-time employees are eligible to participate in LASERS, with employee benefits vesting after 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 year of service, (b) age 55 with 25 years of service, or



**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

(c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. LASERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

The contribution requirements of plan members and the board are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 7.5% of covered salaries. The board's contribution rate for fiscal years ended December 31, 1999, 1998, and 1997, were 12.4%, 13%, and 12.4%, respectively, of annual covered payroll. The board's contributions to the system for the years ended December 31, 1999, 1998, and 1997, were \$168,444, \$156,389, and \$136,785, respectively, equal to the required contributions for each year.

In addition, several employees participate in the social security system. Employer contributions to Social Security for the year ending December 31, 1999, were \$2,175.

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

The board provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the board's employees become eligible for these benefits if they reach normal retirement age while working for the board. 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 board. The board recognizes the cost of providing these benefits (board's portion of premiums) as an expenditure when paid during the year. For the year ended December 31, 1999, the cost of retiree benefits totaled \$63,117.

**7. CHANGES IN GENERAL  
LONG-TERM OBLIGATIONS**

General long-term obligations consist of compensated absences. The following is a summary of long-term obligation transactions for the year ended December 31, 1999.

|  |                         |
|--|-------------------------|
| Long-term obligations payable at Decmeber 31, 1998 | \$81,886                |
| Prior period adjustment for compensated absences   | 46,646                  |
| Additions  | 21,194                  |
| Deductions   | <u>(1,300)</u>          |
| Long-term obligations payable at December 31, 1999 | <u><u>\$148,426</u></u> |

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**8. LITIGATION AND CLAIMS**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by State General Fund appropriation.

At December 31, 1999, the board is involved in nine lawsuits. In the opinion of the board's legal counsel, the ultimate resolution of these matters would either be resolved in favor of the board or the loss would not exceed insurance coverage.

**9. DEFERRED REVENUE**

Deferred revenue of \$1,779,775, as reflected on Statement A, represents payments received from individuals for licenses for periods subsequent to December 31, 1999.

**10. DUE FROM/TO OTHER FUNDS**

Individual fund balances due from/to other funds at December 31, 1999, are as follows:

|                       | <u>Due from<br/>Other<br/>Funds</u> | <u>Due to<br/>Other<br/>Funds</u> |
|-----------------------|-------------------------------------|-----------------------------------|
| General Fund          |                                     | \$209,779                         |
| Special Revenue Fund  | \$140,930                           | 58,654                            |
| Expendable Trust Fund | <u>127,503</u>                      | <u>          </u>                 |
| Total                 | <u>\$268,433</u>                    | <u>\$268,433</u>                  |

**11. OPERATING TRANSFERS IN/OUT**

R.S. 37:2156 and 37:2162 require the board to remit any surplus funds of the special revenue fund and any fines and penalties collected to the Contractor's Educational Trust Fund after the annual financial audit is complete. The distribution of these revenues are shown as operating transfers. The following is a summary of the operating transfers in and out for the year ended December 31, 1999:

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

|                       | <u>Transfers In</u>     | <u>Transfers Out</u>        |
|-----------------------|-------------------------|-----------------------------|
| General Fund          |                         | \$68,849                    |
| Special Revenue Fund  |                         | 58,654                      |
| Expendable Trust Fund | <u>\$127,503</u>        | <u>                    </u> |
| Total                 | <u><u>\$127,503</u></u> | <u><u>\$127,503</u></u>     |

**12. DEFERRED COMPENSATION PLAN**

Certain employees of the board participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**13. RESTATEMENT OF BEGINNING FUND BALANCE**

The beginning fund balance of the General Fund has been restated by \$70,358. Part of the restatement was made to remove \$46,646 of noncurrent compensated absences payable recognized as current liabilities in the General Fund at December 31, 1998, but which should have been reflected in the general long-term obligations account group. In addition, a restatement of \$23,712 was made as a result of implementing GASB Statement 31.

|   |                           |
|---|---------------------------|
| Fund balance at December 31, 1998, as previously reported                         | \$3,051,524               |
| Adjustment for noncurrent liabilities   | 46,646                    |
| Adjustment for cumulative effect of<br>a change in accounting principle (GASB 31) | <u>23,712</u>             |
| Fund balance at December 31, 1998, as restated                                    | <u><u>\$3,121,882</u></u> |

**14. CONTRACTOR'S EDUCATIONAL TRUST FUND**

In October 1991, the State Licensing Board for Contractors established the Contractor's Educational Trust Fund (CETF) with an initial transfer of \$2,900,000 of surplus board funds. CETF was established to promote, encourage, and further the accomplishment of all activities that are or may become of benefit to all persons engaged or interested in the construction vocation and the affording of such persons of effective and practical education, training, and instructions in the art of proper and lawful construction contracting in and for the State of Louisiana and other such activities that have a public purpose. The initial transfer of \$2.9 million was used to fund various endowed professorships and chairs at Louisiana's colleges and universities for construction-related education. These funds were partially matched by the Board of Regents.

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

*Surplus monies accumulated from out-of-state surcharges, fines, and penalties are transferred annually to CETF by the State Licensing Board for Contractors upon the completion of the financial audit. CETF is administered by a select group of trustees and continues to fund educational programs related to the construction vocation.*

This fund was not reported by the board in prior years.

**STATE LICENSING BOARD FOR CONTRACTORS;  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**

**SUPPLEMENTAL INFORMATION SCHEDULE  
For the Year Ended December 31, 1999**

**PER DIEM PAID BOARD MEMBERS**

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 37:2154 and are included in the expenditures of the General Fund. Board members are paid \$75 per day for board meetings and official business.

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA**

**Schedule of Per Diem Paid Board Members  
For the Year Ended December 31, 1999**

|                   | <u>NUMBER</u> | <u>AMOUNT</u>   |
|-------------------|---------------|-----------------|
| Craig D. Boes     | 17            | \$1,275         |
| Tara Brown        | 42            | 3,150           |
| James B. Bulliard | 13            | 975             |
| Jimmie P. Cascio  | 24            | 1,800           |
| Gibson C. Chigbu  | 9             | 675             |
| Patrick Colvin    | 11            | 825             |
| Neil R. Crane     | 17            | 1,275           |
| Courtney A. Fenel | 18            | 1,350           |
| Brent Ferguson    | 26            | 1,950           |
| David R. Gallo    | 13            | 975             |
| Meredith Garland  | 2             | 150             |
| Ronny Graham      | 24            | 1,800           |
| Donald G. Lambert | 14            | 1,050           |
| Ronald Perrin     | 13            | 975             |
| Johnny L. Reeves  | 11            | 825             |
| Byron E. Talbot   | 24            | 1,800           |
| A. Hays Town, Jr. | 89            | 6,675           |
| Victor Weston     | 4             | 300             |
|                   |               | <hr/>           |
| Total             |               | <u>\$27,825</u> |

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal controls 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

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

June 1, 2000, except for the finding in  
Exhibit A titled "Improper and Unsecured Investments,"  
dated July 10, 2000

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

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

We have audited the general purpose financial statements of the State Licensing Board for Contractors, a component unit of the State of Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated June 1, 2000. 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 State Licensing Board for Contractors' general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and the trust agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that, although not material to the financial statements, are required to be reported herein under *Government Auditing Standards*.

**Noncompliance With State Travel Regulations**

The Louisiana State Licensing Board for Contractors paid \$8,532 for special meals and travel expenses that did not comply with the state travel regulations. The Division of Administration's Policy and Procedure Memorandum (PPM) 49, Travel Rules and Regulations, allows reimbursement for those occasions when, as a matter of extraordinary courtesy or necessity, it is appropriate and in the best interest of the state to use public funds for provision of a meal to a person who is not otherwise eligible for such reimbursement and where reimbursement is not available from another source. All special meals must have prior approval from the commissioner of administration to be reimbursed, unless specific authority for approval has been delegated to a department head for a period not to exceed one fiscal year. In such cases, the board should report

**EXHIBIT A**



**LEGISLATIVE AUDITOR**

**STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
Compliance and Internal Control Report  
Page 2**

on a semiannual basis all special meal reimbursements made during the previous six months. These reports must include, for each special meal, the name and title of the person receiving reimbursement, the name and title of each recipient, the cost of each meal, and an explanation as to why the meal was in the best interest of the state.

The examination of 89 travel vouchers totaling \$22,982 noted the following exceptions:

1. Fifty-two of the 89 travel vouchers were reimbursements to the executive director and board administrator for 79 special meals totaling \$7,986 provided to various employees, board members, and/or guests. Prior approval was not obtained from the commissioner of administration, reimbursements were not in compliance with PPM 49, and the board did not report special meals on a semiannual basis to the commissioner of administration. Several meals took place at Ruth's Chris Steak House, which resulted in reimbursements that did not comply with PPM 49.
2. Three other travel vouchers were submitted for travel that extended one day beyond the scheduled end of the conference resulting in reimbursement of nonbusiness related expenses totaling \$546.

These conditions occurred because reimbursements have been made based on the actual expenses incurred without regard to the special meal provisions and allowable rates of PPM 49. Because the board failed to comply with PPM 49, reimbursements were made that did not comply with state regulations.

The State Licensing Board for Contractors should comply with PPM 49 provisions for reimbursement of special meals and travel expenses. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

**Improper and Unsecured Investments**

The State Licensing Board for Contractors invested \$1,008,530 in government securities with maturities of 30 days or more and in money market funds totaling \$808,564, which did not comply with state law. In addition, the money market funds were not secured in accordance with state law. Louisiana Revised Statute (R.S.) 49:327(C)(1)(a) authorizes state boards to invest monies under their control in time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal office in the State of Louisiana, in savings accounts or in shares of savings and loan associations and savings banks as defined by R.S. 6:703(15) and (16), or in share accounts and share certificate accounts of federally or state chartered credit unions. Furthermore, R.S. 49:327(C)(2) requires that these funds shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution, the Federal Savings and Loan Insurance Corporation in any one savings and

## LEGISLATIVE AUDITOR

### STATE LICENSING BOARD FOR CONTRACTORS DEPARTMENT OF ECONOMIC DEVELOPMENT STATE OF LOUISIANA

Compliance and Internal Control Report

Page 3

loan association, the National Credit Union Administration or other deposit insurance corporation approved by the state treasurer, unless the uninsured portion is collateralized by the pledge of securities in the manner provided by R.S. 6:748.1 and R.S. 49:321. State boards are also authorized to invest funds in direct United States Treasury obligations that mature not more than 29 days after the date of purchase. This condition occurred because management failed to ensure that its investments were allowable and secure as required by state law.

The State Licensing Board for Contractors should invest and secure its monies in accordance with state law to reduce the risk of loss. Management concurred with the finding and recommendation and provided a corrective action plan (see Appendix A, page 2).

#### **Noncompliance With State's Movable Property Regulations**

The State Licensing Board for Contractors did not update the state property master inventory listing and/or notify the Louisiana Property Assistance Agency (LPAA) of acquisitions in a timely manner. In addition, the board did not periodically reconcile its in-house movable property system to the LPAA master inventory listing. R.S. 39:324(B) requires the board's property manager to update the state property master inventory listing on a monthly basis by submitting all property transactions to the LPAA. In addition, Louisiana Administrative Code 34:VII.307.A. requires that information on acquisitions be forwarded to LPAA within 45 days after receipt of the movable property.

A sample of 41 movable property items, totaling \$72,739, disclosed that six items, totaling \$4,234, could not be located and two items, totaling \$995, were held in storage and were not being used. Eight of the 41 items were purchased in 1998, totaling \$8,210, and had not been added to the master inventory listing. Failure to update and reconcile movable property records in a timely manner increases the risk that movable property is not accurately recorded in the financial statements, assets are not properly safeguarded against loss arising from unauthorized use, and subjects the board to noncompliance with state laws and regulations.

The State Licensing Board for Contractors should comply with laws and regulations regarding its movable property and ensure that its property manager updates the master inventory listing and notifies LPAA of acquisitions. Furthermore, the board should reconcile its records to the LPAA system records. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 3-4).

LEGISLATIVE AUDITOR

STATE LICENSING BOARD FOR CONTRACTORS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

Compliance and Internal Control Report

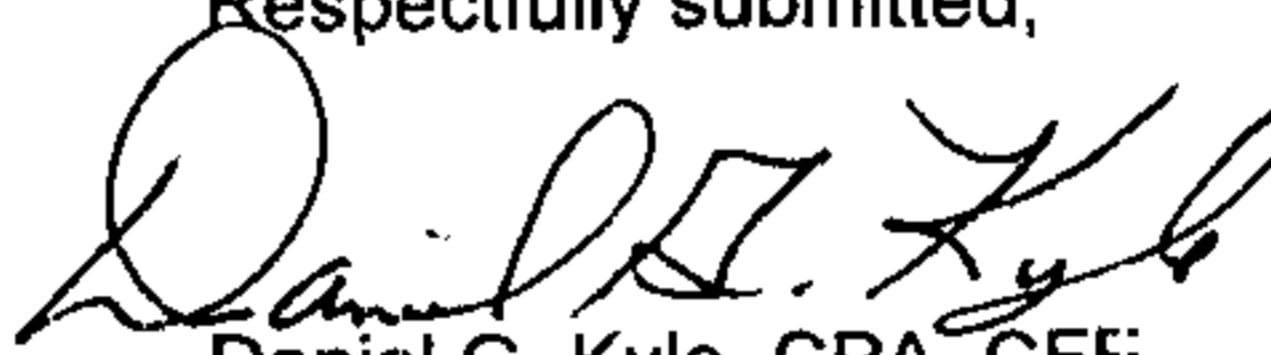
Page 4

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State Licensing Board for Contractors' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general 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 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 State Licensing Board for Contractors 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

LBL:WMB:PEP:dl

[SLBC]

## Appendix A

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



STATE OF LOUISIANA  
STATE LICENSING BOARD FOR CONTRACTORS

2525 QUAIL DRIVE  
BATON ROUGE, LOUISIANA 70808  
PHONE (225) 765-2301

MAILING ADDRESS:  
P.O. BOX 14419  
BATON ROUGE, LOUISIANA 70893-4419

M. J. "Mike" Foster, Jr.  
Governor

Charles G. Marceaux  
Executive Director

Joy Evans  
Administrator

April 14, 2000

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Ref: April 5, 2000 Finding letter re State Travel Regulations (PPM 49)

Dear Dr. Kyle:

I concur with the findings listing above relative to our recent audit, however, I have several questions regarding specific handling of the different scenarios and aspects of the administrative operations of our agency. I would like to schedule an appointment with yourself or others you may suggest to assist myself and our accounting personnel to more clearly understand certain issues.

As you know our agency is a construction trade organization and, in essence, one that regulates itself. We are self-funded by licensing fees. Each year I work with the finance committee appointed by the board chairman in establishing budgets and do everything I can do to enhance the consistency and fairness of the board in meeting its legislative mandate. Public relations is very important to the agency and we, like many other boards, need to communicate with all the construction trade organizations, members of the legislature, the general public and, of course, applicants and existing license holders.

As stated above, I would like the opportunity to meet with you to discuss specific areas.

I look forward to hearing from you on this matter.

Sincerely,

A handwritten signature in cursive script that reads "Charles G. Marceaux".

Charles G. Marceaux  
Executive Director



STATE OF LOUISIANA  
STATE LICENSING BOARD FOR CONTRACTORS

2525 QUAIL DRIVE  
BATON ROUGE, LOUISIANA 70808  
PHONE (225) 755-2301

MAILING ADDRESS:  
P.O. BOX 14419  
BATON ROUGE, LOUISIANA 70898-4419

M. J. "Mike" Foster, Jr.  
Governor

Charles G. Marceaux  
Executive Director

Joy Evans  
Administrator

July 10, 2000

Mr. William M. Burch, CIA  
Audit Manager  
Office of the Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Ref: Audit Finds Re Improper and Unsecured Investments

Dear Mr. Burch:

I concur with the audit findings relating to improper and unsecured investments. I have begun a process for investigating appropriate corrective action measures which will also protect the value of our invested self-generated funds. I am in communication with the Louisiana State Treasurer's Office to pursue dialogue relative to investing strategies. Our board will meet to discuss the findings at its next regularly scheduled board meeting on Thursday, July 20, 2000 at our offices.

If I can be of any further assistance in this matter, please do not hesitate to call.

Sincerely,

A handwritten signature in cursive script that reads "Charles G. Marceaux".

Charles G. Marceaux  
Executive Director



STATE OF LOUISIANA  
STATE LICENSING BOARD FOR CONTRACTORS

2525 QUAIL DRIVE  
BATON ROUGE, LOUISIANA 70808  
PHONE (225) 765-2301

MAILING ADDRESS:  
P.O. BOX 14419  
BATON ROUGE, LOUISIANA 70898-4419

M. J. "Mike" Foster, Jr.  
Governor

Charles G. Marceaux  
Executive Director

Joy Evans  
Administrator

April 6, 2000

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Ref: March 29, 2000 Finding Letter re Noncompliance State's Movable Property Regulations  
R.S. 39:324(B) & LAC 34:VII.307.A

Dear Dr. Kyle:

I concur with the individual finding and recommendation referenced above for the following reasons. After a detailed review of the findings with Mr. Tommy Politz, our Property Manager, and Ms. Kelli Gautreaux, our accounting manager, I discovered that indeed we were negligent in following R. S. 39:324(B) and LAC 34:VII.307.A. Mr. Politz admitted that he failed to realize the importance of monthly updates and reconciliation with the master inventory listings, due to a lack of training and attention to procedures. Other contributing factors included the use of part-time employees to assist in inventory counting and tagging of items and the lack of reconciliation of those assets valued over \$250.00 on the inventory master listing with our accounting records of assets purchased monthly.

The following corrective action has been established and communicated:

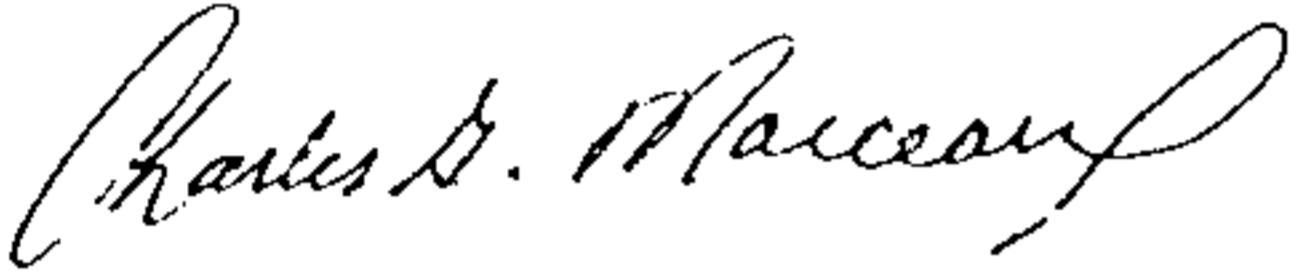
1. Tommy Politz, Property Manager, will update the master inventory listing with LPAA monthly.
2. Tommy Politz, Property Manager, will forward the purchase information to LPAA within 45 days after receipt of the movable property.
3. Tommy Politz, Property Manager, will copy both myself, the executive director, and Ms. Kelli Gautreaux, our accounting manager, with proof of transaction updates on a monthly basis.
4. Tommy Politz, Property Manager, and Kelli Gautreaux, accounting manager, will periodically reconcile physical inventory master listings with our capital asset accounting records (not less frequently than quarterly). I, the executive director, will be copied on each reconciliation for compliance review.

Mr. Politz has already begun a physical inventory and is 10% complete as of this date. The project is anticipated to be completed by May 15, 2000 in order to report the master inventory listing to LPAA by June 4, 2000 per its instructions.

I appreciate the work that the legislative auditors Laura Beth Lott and Teddy Martin performed for us and have a better understanding of state requirements in this matter. They were very professional in their audit and in all communications with myself and my staff.

If I can provide any other information in regards to this individual finding, please do not hesitate to call me at 225 765-2301, ext. 221.

Sincerely,

A handwritten signature in cursive script that reads "Charles G. Marceaux".

Charles G. Marceaux  
Executive Director

cc Tommy Politz, Property Manager  
Kelli Gautreaux, Accounting Manager