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LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1998  
AND  
INDEPENDENT AUDITOR'S REPORT

**DERBES & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

3027 RIDGELAKE DRIVE  
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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date July 1, 1998

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1998

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# DERBES & COMPANY

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HUGH J. POSNER, C.P.A.\*

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## INDEPENDENT AUDITOR'S REPORT

Louisiana Motor Vehicle Commission  
Department of Economic Development  
State of Louisiana  
Metairie, Louisiana

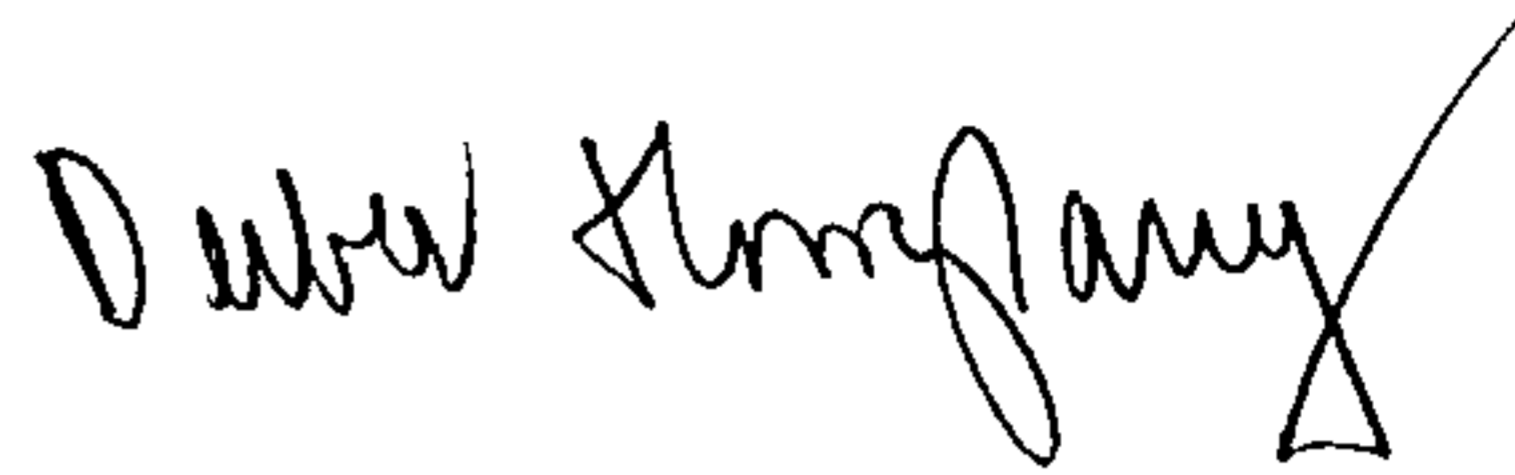
We have audited the accompanying financial statements of the Louisiana Motor Vehicle Commission (the Commission), a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the Louisiana Motor Vehicle Commission. 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, the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States, and the **Louisiana Governmental Audit Guide**. 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 discussed in Note 1, the financial statements present only the Louisiana Motor Vehicle Commission, and are not intended to present fairly the financial position of the State of Louisiana and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

In accordance with **Government Auditing Standards**, we have also issued a report dated September 15, 1998 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Motor Vehicle Commission of the State of Louisiana as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "David Thompson". The signature is written in a cursive style with a long, sweeping tail on the final letter.

September 15, 1998

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
BALANCE SHEET -  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1998

	Governmental Fund Type	Account Groups			Total (Memorandum Only)
	General Fund	General Fixed Assets	Long-Term Obligations	General	
<u>ASSETS AND OTHER DEBITS</u>					
Cash and cash equivalents	\$ 302,487	\$ -0-	\$ -0-	\$ -0-	\$ 302,487
Fixed assets	-0-	781,950	-0-	-0-	781,950
Amount to be provided for retirement of general long-term obligations	-0-	-0-	46,194	46,194	46,194
Total Assets	<u>\$302,487</u>	<u>\$781,950</u>	<u>\$46,194</u>	<u>\$46,194</u>	<u>\$1,130,631</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts payable and accrued expenses	\$ 25,115	\$ -0-	\$ -0-	\$ -0-	\$ 25,115
Accumulated annual leave	-0-	-0-	46,194	46,194	46,194
Total Liabilities	<u>25,115</u>	<u>-0-</u>	<u>46,194</u>	<u>46,194</u>	<u>71,309</u>
<u>FUND EQUITY</u>					
Investment in general fixed assets	-0-	781,950	-0-	-0-	781,950
Fund balance - unreserved and undesignated	<u>277,372</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>277,372</u>
Total Fund Equity	<u>277,372</u>	<u>781,950</u>	<u>-0-</u>	<u>-0-</u>	<u>1,059,322</u>
Total Liabilities and Fund Equity	<u>\$302,487</u>	<u>\$781,950</u>	<u>\$46,194</u>	<u>\$46,194</u>	<u>\$1,130,631</u>

The accompanying notes are an integral part of this statement.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND TYPE

FOR THE YEAR ENDED JUNE 30, 1998

	<u>General Fund</u>
<u>Revenues:</u>	
Licenses, permits and fees	\$739,764
Fines and penalties	102,265
Use of money and property - interest earnings	8,706
Other revenue	<u>1,949</u>
Total Revenues	<u>852,684</u>
<u>Expenditures:</u>	
General government:	
Personal services and related benefits	456,833
Professional services	110,072
Operating services	110,326
Materials and supplies	16,967
Travel and other charges	45,071
Capital outlay	<u>88,312</u>
Total Expenditures	<u>827,581</u>
Excess of Revenues over Expenditures	25,103
Fund Balance - beginning of year	<u>252,269</u>
Fund Balance - end of year	<u>\$277,372</u>

The accompanying notes are an integral part of this statement.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
GOVERNMENTAL FUND TYPE

FOR THE YEAR ENDED JUNE 30, 1998

	General Fund		Variance-
	Budget	Actual	Favorable (Unfavorable)
<u>REVENUES:</u>			
Licenses, permits and fees	\$700,000	\$739,764	\$39,764
Fines and penalties	90,000	102,265	12,265
Interest earned	8,500	8,706	206
Other revenues	<u>1,000</u>	<u>1,949</u>	<u>949</u>
Total Revenues	<u>799,500</u>	<u>852,684</u>	<u>53,184</u>
<u>EXPENDITURES:</u>			
Personal services and benefits	423,392	456,833	(33,441)
Professional services	120,800	110,072	10,728
Operating services	114,525	110,326	4,199
Materials and supplies	17,000	16,967	33
Travel and other charges	48,000	45,071	2,929
Capital outlay	<u>100,000</u>	<u>88,312</u>	<u>11,688</u>
Total Expenditures	<u>823,717</u>	<u>827,581</u>	<u>(3,864)</u>
Excess (Deficiency) of Revenues Over Expenditures	(24,217)	25,103	49,320
Fund Balance - beginning of year	<u>252,269</u>	<u>252,269</u>	<u>-0-</u>
Fund Balance - end of year	<u>\$228,052</u>	<u>\$277,372</u>	<u>\$49,320</u>

The accompanying notes are an integral part of this statement.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana Motor Vehicle Commission (the Commission) is a component unit of the State of Louisiana created within the Louisiana Department of Economic Development, as provided by Louisiana Revised Statutes 36:109 E (9), 31:1251 et seq. and 6:951 et seq. The Commission is currently composed of fourteen members, as amended by Acts 1995, No. 51, §1 of the Louisiana Legislature (effective June 9, 1995), who are appointed by and serve at the pleasure of the Governor. The Commission is charged with the responsibility of regulating all areas of the new car industry, including motor vehicle sales finance companies, operating in Louisiana. Operations of the Commission are funded with license fees, fines and interest income.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In June of 1987, the GASB issued a revised codification of governmental accounting and financial reporting standards. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government.

The Louisiana Motor Vehicle Commission prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The Commission is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the Governor appoints the Commissioners, and public service is rendered within the state's boundaries. The accompanying statements present only transactions of the Louisiana Motor Vehicle Commission, a component unit of the State of Louisiana.

Annually, the State of Louisiana issues general purpose financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are issued by the Louisiana Division of Administration - Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.



LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting

The accounts of the Louisiana Motor Vehicle Commission are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the financial statements are described as follows:

General Fund

The General Fund is the principal fund and is used to account for the general operations of the Commission. The various license fees and charges due the Commission are accounted for in this fund. General operating expenditures are paid from this fund.

B. General Fixed Assets and General Long-Term Obligations

Fixed assets used in the governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. 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 governmental funds are accounted for in the General Long-Term Obligation Account Group, not in the governmental funds. The only long-term obligation of the Commission is for accrued annual leave.

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

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Commission's records are maintained on the modified accrual basis of accounting using the following practices:

Revenues

License fees are received at the beginning of the licensee's annual license period. License fees, as well as other revenues, are reported when received. Interest income on short-term investments is recognized as it is earned.

Expenditures

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

2 - BUDGET PRACTICES

Annually, the Commission adopts a budget that is submitted to the Department of Economic Development in compliance with LSA-R.S. 36:1331-1342. The budget, adopted on March 10, 1997, was prepared and reported using the same accounting procedures and practices that are used in preparing the annual financial statements. Appropriations lapse at year-end. Budgeted amounts included in the accompanying financial statements represent the original adopted budget with two subsequent amendments, approved by the Board on January 19, 1998 and July 13, 1998. The Board does not employ the use of encumbrance accounting for the operations of its activities.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

2 - BUDGET PRACTICES (Continued)

Substantial budget variances for the year ended June 30, 1998 are explained as follows:

<u>Title</u>	Variance- Favorable (Unfavorable)	<u>Comments</u>
Fines and penalties	\$12,265	The Commission collected more in fines and penalties than anticipated in the preparation of the budget.
Capital outlay	11,688	The budget was amended based on year-to-date expenditures without taking into account that the purchase of the new telephone system was accrued at June 30, 1997.

3 - CASH AND CASH EQUIVALENTS

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits, and certificates of deposit. Under state law, the Commission may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Commission may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

At June 30, 1998, the carrying amount of the Commission's deposits was \$302,387 and the bank balance was \$308,366. Of the bank balance, \$251,266 was covered by federal depository insurance and \$57,100 was covered by collateral held by the Nashville branch of the Federal Reserve Bank in the Commission's name.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

3 - CASH AND CASH EQUIVALENTS (Continued)

Certificates of deposit at June 30, 1998 consist of the following:

<u>Depository</u>	<u>Date of Origination</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Accrued Interest</u>
Bank One, Louisiana	11/26/97	07/26/98	5.26%	\$ 90,000	\$2,841

Certificates of deposit are insured by the Federal Deposit Insurance Corporation.

As reflected on the balance sheet, the Commission had cash and cash equivalents totaling \$302,487 at June 30, 1998. Cash and cash equivalents are stated at cost, which approximates market. 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. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at June 30, 1998 were secured as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Carrying Amount on Balance Sheet	\$209,546	\$92,841	\$302,387
Bank Balances:			
1. Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u>	\$218,366	\$ 90,000	\$308,366
2. Collateralized with securities held by pledging financial institution's trust department or agent <u>in the entity's name</u>	-0-	-0-	-0-
3. Uncollateralized, including any securities held for the entity but <u>not in the entity's name</u>	-0-	-0-	-0-
TOTAL Bank Balances	\$218,366	\$90,000	\$308,366

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

4 - VACATION AND SICK LEAVE

The Louisiana Motor Vehicle Commission has the following policy related to vacation and sick leave:

Employees earn vacation and sick leave at rates established by the Louisiana Department of Civil Service. The rate varies from twelve days of vacation time and twelve days of sick leave per year for new employees up to twenty four days of each for employees with over fifteen years of service. Employees can carry over unused time indefinitely. Upon termination of employment, the Louisiana Motor Vehicle Commission is obligated to pay the employee at their current hourly rate for all unused vacation time up to 300 hours.

At June 30, 1998, employees of the Commission had accumulated and vested \$46,194 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$-0- is recorded as an obligation of the General Fund and \$46,194 is recorded within the General Long-Term Obligation Account Group because the Commission does not expect to pay it out of current resources. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

5 - TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Since the Louisiana Motor Vehicle Commission consists of only one fund, no memorandum totals are presented on the Statement of Revenues, Expenditures and Changes in Fund Balance or the Statement of Revenues, Expenditures and Fund Balance - Budget (GAAP Basis) and Actual.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

6 - CHANGES IN GENERAL FIXED ASSETS

The changes in general fixed assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Furniture and equipment	\$174,528	\$88,312	\$ -0-	\$262,840
Automobiles	60,767	-0-	-0-	60,767
Office building	<u>458,343</u>	<u>-0-</u>	<u>-0-</u>	<u>458,343</u>
Totals	<u>\$693,638</u>	<u>\$88,312</u>	<u>\$ -0-</u>	<u>\$781,950</u>

7 - EMPLOYEE PENSION PLAN

Substantially all employees of the Commission are members of the Louisiana State Employees Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of state employees, which is administered and controlled by a separate board of trustees. Contributions of participating state agencies are pooled within the System to fund accrued benefits, with contribution rates approved by the Louisiana Legislature. In addition to the employee contribution withheld at 7.5% of covered payroll, the Commission contributes an additional 13.0% of covered payroll. Contributions to the System are funded through employee and employer contributions of \$24,081 and \$41,918, respectively. The Commission contributed \$41,918, \$37,515 and \$30,416 to the System for the years ended June 30, 1998, 1997 and 1996, respectively, which represented 100% of the required contribution for each year. The total current year payroll of the Commission was \$378,730 and its current year payroll covered by the System was \$321,076. Under present statutes, the Commission does not guarantee any of the benefits granted by the System.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

7 - EMPLOYEE PENSION PLAN (Continued)

All full-time Commission employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 per cent of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. The System also provides death and disability benefits. Benefits are established by state statute.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's 1998 comprehensive annual financial report which is separately issued. Benefits granted by the System are guaranteed by the State of Louisiana under the Louisiana Constitution of 1974.

8 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Commission provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Commission employees become eligible for those benefits if they reach normal retirement age while working for the Commission. Those 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 by the Commission. The Commission's cost 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, 1998, the costs of retiree benefits totaled \$8,091.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

9 - CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions during the year:

Accumulated annual leave at June 30, 1997	\$39,339
Additions	6,855
Deductions	<u>-0-</u>
Accumulated annual leave at June 30, 1998	<u>\$46,194</u>

Many of the Commission's employees have accumulated annual leave in excess of the 300 hour maximum referred to in Note 4. Therefore, increases in accumulated annual leave arise primarily from annual increases in hourly wage rates applied to the hours accumulated.

10 - LITIGATION AND CLAIMS

At June 30, 1998, the Commission was not involved in any litigation and was not aware of any claims which would not be covered by insurance as provided by coverages self-insured by the Louisiana Department of Risk Management. Claims and litigation costs of \$83,089 were incurred in the current year and recorded as a current year expenditure in the general fund.

11 - DEFERRED COMPENSATION PLAN

Certain employees of the Commission 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.



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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY DATA

We have reported separately herein on the basic financial statements of the Louisiana Motor Vehicle Commission. The supplementary information included in the Schedule of Compensation of Commissioners has been subjected to the same auditing procedures and, in our opinion, is stated fairly in all material respects when considered in conjunction with the basic financial statements taken as a whole.



September 15, 1998

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

SCHEDULE OF COMPENSATION OF COMMISSIONERS

FOR THE YEAR ENDED JUNE 30, 1998

	<u>Meetings Attended</u>	<u>Compensation</u>
Arthur W. Tait	20	\$1,000
C. Robert Bohn, Jr.	14	700
V. Price LeBlanc, Jr.	13	650
Gerald R. Lane	13	650
G. Gordon Grant, III	13	650
W. Julian Foy	14	700
L. Peter Roy, III	13	650
Donald E. Shetler	10	500
David M. Mann	15	750
Terry G. McFillen	9	450
Jacob G. Drago	12	600
Allen I. Boudreaux	8	400
Ernest A. Burguieres, III	7	350
Ralph E. Pool	<u>4</u>	<u>200</u>
	<u>165</u>	<u>\$8,250</u>

The schedule of per diem paid commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Commissioners are paid \$50 for each commission meeting they attend, as authorized by LSA-R.S. 32:1253.

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

Louisiana Motor Vehicle Commission  
Department of Economic Development  
State of Louisiana  
Metairie, Louisiana

We have audited the financial statements of the Louisiana Motor Vehicle Commission (the Commission), a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 15, 1998. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to **Government Auditing Standards**, issued by the Comptroller General of the United States, and the **Louisiana Governmental Audit Guide**.

### Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Louisiana Motor Vehicle Commission are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under **Government Auditing Standards**.

### Follow-up on Prior Audit Compliance Findings

In the Independent Auditor's Report on Compliance with Laws and Regulations Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards as of and for the year ended June 30, 1997, the following findings were reported:

1. The budget of the Louisiana Motor Vehicle Commission for the fiscal year ended June 30, 1998 was not submitted to the proper authorities until March 27, 1997.

During the current year, we found that the Louisiana Motor Vehicle Commission submitted the budget and amended budget to the proper authorities on a timely basis in accordance with the Louisiana Licensing Agency Budget Act.

2. Certain commissioners were found to be in violation of the Louisiana Code of Governmental Ethics for participation in the execution of an affidavit by the Commission on behalf of a company in which they had substantial economic interest.

During the fiscal year ended June 30, 1998, the Board of Ethics informed the Commission Chairman that there was no violation of the Code of Governmental Ethics because no affidavit was ever executed by the members of the Louisiana Motor Vehicle Commission on behalf of a company in which they had a substantial economic interest, and therefore, the file was closed by the Board of Ethics.

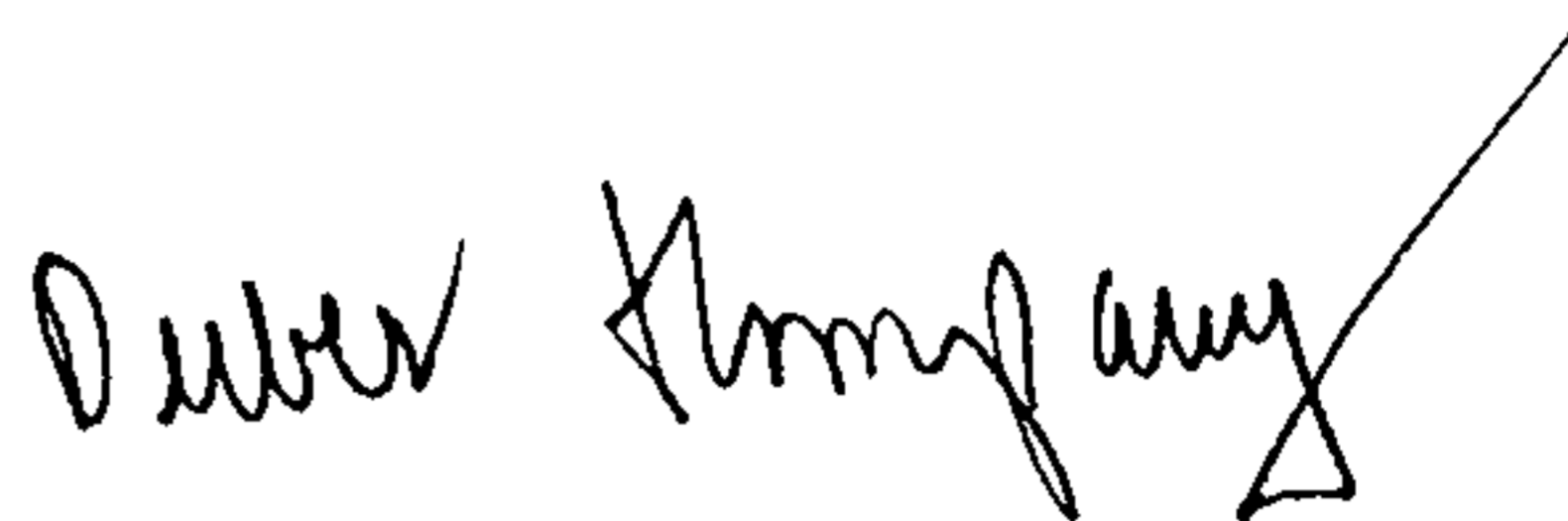
3. It was found that the former Executive Director had received free use of an automobile for a period of time prior to her retirement from the Louisiana Motor Vehicle Commission.

During the fiscal year ended June 30, 1998, the Board of Ethics informed the Louisiana Motor Vehicle Commission that the complaint was prescribed pursuant to the provisions of Section 1163 of the Code of Governmental Ethics, and the file was closed by the Board of Ethics.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Motor Vehicle Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 for the information of management, the Department of Economic Development, the Legislative Auditor of the State of Louisiana, and the Office of Statewide Reporting and Accounting Policy. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to read "Duane Thompson", with a long diagonal line extending from the end of the signature.

September 15, 1998

# DERBES & COMPANY

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HUGH J. POSNER, C.P.A.\*

\* A PROFESSIONAL  
ACCOUNTING CORPORATION

September 15, 1998

Louisiana Motor Vehicle Commission  
Department of Economic Development  
State of Louisiana  
Metairie, Louisiana

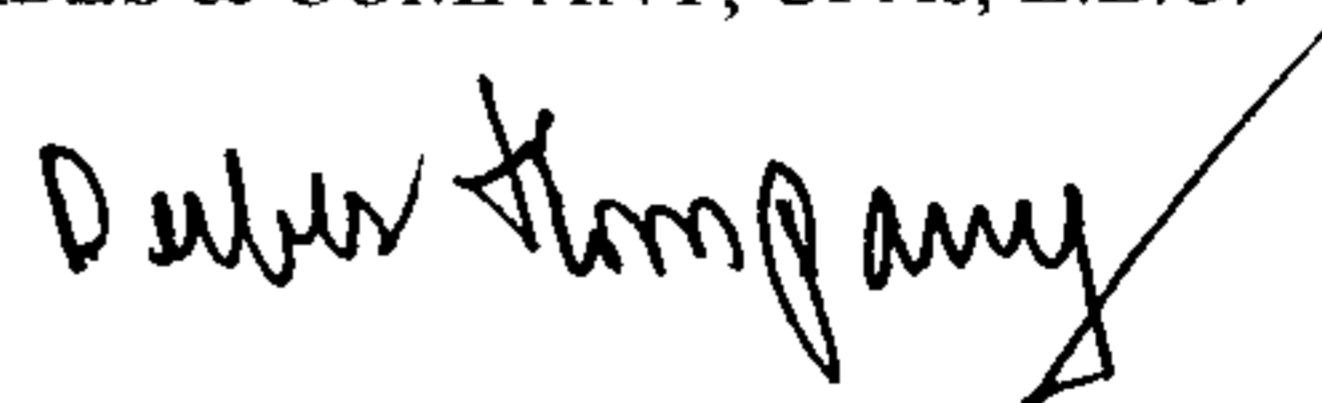
In planning and performing our audit of the financial statements of the Louisiana Motor Vehicle Commission (the Commission), a component unit of the State of Louisiana, for the year ended June 30, 1998, we considered the Commission's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Additionally, we performed tests of the Commission's compliance with certain provisions of laws, regulations and contracts.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls, compliance with laws, regulations and contracts, and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the Commission's internal control structure and compliance with laws, regulations and contracts in our report dated September 15, 1998. This letter does not affect our report dated September 15, 1998, on the financial statements of the Louisiana Motor Vehicle Commission, a component unit of the State of Louisiana.

We have already discussed these comments and suggestions with various Commission personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Very truly yours,

DERBES & COMPANY, CPAs, L.L.C.



LOUISIANA MOTOR VEHICLE COMMISSION  
JUNE 30, 1998

Follow-up on Prior Year Management Letter Comment

In the management letter issued in conjunction with the audit of the financial statements of the Louisiana Motor Vehicle Commission as of and for the year ended June 30, 1997, we recommended that the Commission have the licensing software changed to allow for a six-digit field for new dealer salesmen license numbers.

During our audit procedures, we noted that the licensing program had been changed to allow for a six-digit field for all salesmen license numbers.