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LOUISIANA MOTOR VEHICLE COMMISSION
DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1997
AND
INDEPENDENT AUDITOR'S REPORT

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 10/1/97

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LOUISIANA MOTOR VEHICLE COMMISSION
DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1997

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DERBES & COMPANY

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ACCOUNTING CORPORATION

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, 1997, 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, Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 nonresponsible trust funds in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 29, 1997 on our consideration of the Commission's internal control structure and a report dated July 29, 1997 on its compliance with laws and regulations.

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, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Desser Company

July 28, 1997

LOUISIANA MOTOR VEHICLE COMMISSION
DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1997

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LOUISIANA MOTOR VEHICLE COMMISSION
DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA

BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1997

	Governmental Fund Type	Account Group		Total (Miscellaneous Debt)
		General Fund Assets	General Liability Items Obligations	
ASSETS AND OTHER DEBITS				
Cash and cash equivalents	\$ 203,603	\$ -	\$ -	\$ 203,603
Fixed assets	-	601,618	-	601,618
Total Assets	\$ 203,603	\$ 601,618	\$ -	\$ 805,221
LIABILITIES AND FUND EQUITY				
Accounts payable and accrued expenses	\$ 11,386	\$ -	\$ -	\$ 11,386
Accumulated annual leave	-	-	28,319	28,319
Total Liabilities	\$ 11,386	\$ -	\$ 28,319	\$ 39,705
FUND EQUITY				
Investment in general fund assets	-	601,618	-	601,618
Fund balance - unreserved and undesignated	202,202	-	(28,319)	173,883
Total Fund Equity	\$ 202,202	\$ 601,618	\$ (28,319)	\$ 775,501
Total Liabilities and Fund Equity	\$ 213,588	\$ 601,618	\$ -	\$ 815,206

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, 1997

	<u>General Fund</u>
Revenues:	
Licenses, permits and fees	\$ 808,295
Use of money and property - interest earnings	8,487
Other revenue	<u>542</u>
Total Revenues	<u>817,324</u>
Expenditures:	
General government:	
Personal services and related benefits	410,008
Professional services	118,412
Operating services	148,788
Materials and supplies	20,886
Travel and other charges	28,105
Capital outlay	<u>483,594</u>
Total Expenditures	<u>1,352,993</u>
Excess (Deficiency) of Revenues over Expenditures	(435,669)
Fund Balance - beginning of year	<u>687,828</u>
Fund Balance - end of year	\$ 252,159

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 (MAP BASIS) AND ACTUAL,
 GOVERNMENTAL FUND TYPE

FOR THE YEAR ENDED JUNE 30, 1997

	<u>General Fund</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
REVENUES			
Licenses, permits and fees	\$ 50,775	\$ 808,200	\$45,925
Interest earned	1,000	1,487	1,487
Other revenue	1,000	56	(1,251)
Total Revenue	<u>52,775</u>	<u>811,243</u>	<u>45,161</u>
EXPENDITURES			
Personal services and benefits	199,792	418,078	(110,226)
Professional services	121,635	119,432	1,223
Operating services	140,790	148,788	(9,099)
Materials and supplies	31,000	28,965	(2,035)
Travel and other charges	55,560	39,116	(16,444)
Capital outlay	480,000	493,581	(13,581)
Total Expenditures	<u>1,128,777</u>	<u>1,247,960</u>	<u>(119,183)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(90,002)</u>	<u>(436,699)</u>	<u>(14,727)</u>
Fund Balance - beginning of year	<u>687,928</u>	<u>687,928</u>	<u>0</u>
Fund Balance - end of year	<u>\$ 597,926</u>	<u>\$ 251,229</u>	<u>\$ 174,327</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 1993, No. 51, §1 of the Louisiana Legislature (effective June 8, 1993), who are appointed by and serve at the pleasure of the Governor, and 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. The governmental reporting entity is the State of Louisiana.

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 Obligations 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.

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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 refers to the timing of the measurement 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 when paid. Compensation, professional fees and other obligations incurred as of June 30, 1993, for services provided during the fiscal year have also been recognized as expenditures in the current year.

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 January 22, 1996, and amended 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 one subsequent amendment, approved by the Board on March 18, 1997. 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, 1997 are explained as follows:

Title	Variance- Favorable (Unfavorable)	Comments
Materials and supplies	\$ (9,986)	As a result of moving to a new facility owned by the Commission, funds in excess of budgeted amounts were expended to acquire various office, building and janitorial supplies for operations.

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 year, 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, 1997, the carrying amount of the Commission's deposits was \$105,555 and the bank balance was \$121,815. Of the bank balance, \$271,769 was covered by federal depositary insurance and \$91,246 was covered by collateral held by the New Orleans branch of the Federal Reserve Bank in the Commission's name.

Certificates of deposit at June 30, 1997 consist of the following:

Depository	Date of Origin	Maturity	Interest Rate	Amount	Accrued Interest
Bank One, Louisiana	05/21/97	11/21/97	4.81%	\$28,090	\$439

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, 1993, employees of the Commission had accumulated and vested \$15,139 of employee leave benefits, which was computed in accordance with GASB Codification Section 650. Of this amount, 4-6- is recorded as an obligation of the General Fund and \$99,329 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:

	Beginning Balance	Additions	Dispositions	Ending Balance
Furniture and equipment	\$ 143,847	\$ 47,181	\$ (16,420)	\$ 174,608
Automobiles	60,767	-0-	-0-	60,767
Office building	10,269	477,482	-0-	487,751
Totals	\$ 214,883	\$ 524,663	\$ (16,420)	\$ 723,126

On July 29, 1996, the Commission purchased an office building located in Metairie, Louisiana for \$370,000. After making required modifications to place the property in compliance with all applicable building code requirements, the Commission relocated its operations to Metairie during the first quarter of 1997.

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 account 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 12.4% of covered payroll. Contributions to the System are funded through employee and employer contributions of \$22,691 and \$37,515, respectively. The Commission contributed \$37,515, \$30,418 and \$27,644 to the System for the years ended June 30, 1997, 1996 and 1995, respectively, which represented 100% of the required contribution for each year. The total current year payroll of the Commission was \$320,006 and its current year payroll covered by the System was \$200,542. 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 1997 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 these benefits if they reach normal retirement age while working for the Commission. 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 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, 1997, the costs of retiree benefits totaled \$8,668.

9 - LEASE

The Louisiana Motor Vehicle Commission occupied leased premises at 224 Loyola Avenue, Suite 1814, New Orleans, Louisiana through January, 1997 on a month-to-month basis. The lease required monthly rental payments of \$3,238. All taxes, utilities and building maintenance were paid by the lessee. Rent expense for the year ended June 30, 1997 was \$22,896.

LOUISIANA MOTOR VEHICLE COMMISSION
 DEPARTMENT OF ECONOMIC DEVELOPMENT
 STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)

10- 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, 1996	\$ 34,297
Additions	8,571
Deductions	<u>(1,535)</u>
Accumulated annual leave at June 30, 1997	\$ 41,333

Many of the Commission's employees have accumulated annual leave in excess of the 100 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.

11- LITIGATION AND CLAIMS

At June 30, 1997, 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 coverage self-insured by the Louisiana Department of Risk Management. Claims and litigation costs of \$95,844 were incurred in the current year and recorded as a current year expenditure in the general fund.

DERBES & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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CORPORATION

ACCOUNTANT'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.

Derbes Company

July 29, 2007

LOUISIANA MOTOR VEHICLE COMMISSION
 DEPARTMENT OF ECONOMIC DEVELOPMENT
 STATE OF LOUISIANA

SCHEDULE OF COMPENSATION OF COMMISSIONERS

FOR THE YEAR ENDED JUNE 30, 1967

	Meetings Attended	Compensation
Arthur W. Tate	16	\$ 800
C. Robert Bolen, Jr.	18	900
V. Price LeBlanc, Jr.	14	700
Gerald B. Lane	16	800
G. G. Grant, III	17	850
W. Julian Foy	16	800
L. Peter Roy, III	16	800
Donald E. Shuster	18	900
David M. Mann	16	800
Terry G. McMillen	7	350
Wilton H. Bramfield, Jr.	16	800
Alan I. Broadnax	7	50
Bruce I. Logan	-0-	-0-
Ralph H. Pool	-0-	-0-
	171	\$8,550

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A PROFESSIONAL
ACCOUNTING CORPORATION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS 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, 1997, and have issued our report thereon dated July 29, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations and contracts applicable to the Louisiana Motor Vehicle Commission is the responsibility of the Commission. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instance of noncompliance that is required to be reported under Government Auditing Standards:

FINDING

In accordance with the Louisiana Licensing Agency Budget Act, R.S. 38:2315 states that "Not later than the first day of January in each year, each licensing agency shall submit a copy of its proposed budget for the ensuing fiscal year to the Joint Legislative Committee on the Budget, to each chairman of a standing committee of the legislature having jurisdiction as listed in R.S. 48:908, to the legislative auditor, and to the legislative fiscal office." The budget for the Louisiana Motor Vehicle Commission was not submitted to the appropriate authorities until March 27, 1997.

MANAGEMENT RESPONSE

We apologize for the lateness in submitting the budget; however, this agency was involved in a facility move and had not had a Commission meeting in order for the Commission to approve and adopt the budget.

FINDING

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. Once this matter became known by the Commission and the Executive Director, the matter was referred to the Louisiana Board of Ethics for its review.

MANAGEMENT RESPONSE

The Commission received an advisory opinion from the Louisiana Board of Ethics dated August 4, 1997. The Board of Ethics concluded that Section 1112B(2) and/or (3) of the Code of Governmental Ethics would prohibit the commissioners from participating in the execution of the affidavit. Section 1112 does not allow an appointed member of a commission to use removal to cure such a conflict; rather, the appointed members must either resign from the Commission or terminate their outside relationships.

In a response received September 25, 1997, the attorney for Commissioner Sheltre informed Commission counsel that Mr. Sheltre does not believe that there is a need for him to resign or sever with the outside interest because he believes that any conflict which may have existed no longer exists.

FINDING

We were informed by the current Executive Director that the former Executive Director received the free use of an automobile for a period of time prior to her retirement from the Commission. This is in violation of the Louisiana Code of Governmental Ethics.

MANAGEMENT RESPONSE

The Executive Director of the Louisiana Motor Vehicle Commission ("LMVC") informed Debes and Company, its independent auditor, that the LMVC had been provided by counsel for Westside-Marrero Jeep Eagle, Inc. with a copy of a lawsuit which had been filed in Jefferson Parish, Louisiana, entitled Westside-Marrero Jeep Eagle, Inc., Walter Thomas Stubbs, and Kathleen Stubbs versus Chrysler Corporation, Inc., Chrysler Financial Corporation, Chrysler Realty Corporation, Gerald A. Novelly, E. T. Pappert, W. C. Glass, Theodore Cunningham, A. S. Secours, Jr., and David Pearl, in which Chrysler Corporation was named as a defendant. The LMVC is not a defendant in the suit.

Counsel for Westside-Marrero Jeep Eagle, Inc. informed the Executive Director that the suit contains allegations that Chrysler Corporation held corrupt influence over the LMVC because Chrysler had furnished the use of a free Chrysler vehicle to the former Executive Director of the LMVC for an unspecified period of time.

The practice of accepting the free use of a vehicle by any LMVC personnel is prohibited and, other than the aforementioned incident, has never occurred to the knowledge of the current Executive Director.

We considered these instances of noncompliance in forming our opinion on whether the Louisiana Motor Vehicle Commission's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated July 28, 1977, on those financial statements.

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.

Debes & Company

July 28, 1977

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
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, 1997, and have issued our report thereon dated July 29, 1997.

We conducted our audit in accordance with generally accepted auditing standards, **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.

The management of the Louisiana Motor Vehicle Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control situations, policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nonetheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Louisiana Motor Vehicle Commission for the year ended June 30, 1997, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Louisiana Motor Vehicle Commission in a separate letter dated July 29, 1997.

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.



July 29, 1997

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* A PROFESSIONAL
MEMBER OF THE INSTITUTE OF

July 29, 1997

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, 1997, 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 concerns and suggestions regarding these matters. We previously reported on the Commission's internal control structure and compliance with laws, regulations and contracts in our report dated July 29, 1997. This letter does not affect our report dated July 29, 1997, 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.

By:


Hugh J. Posen, CPA

LOUISIANA MOTOR VEHICLE COMMISSION
JUNE 30, 1997

The results of our test work disclosed the following area for which opportunities for strengthening internal controls and operating efficiency exist:

1. Content

The field in the database for new dealer salesmen's license numbers contains room for a five-digit number. During the fiscal year ended June 30, 1997, new dealer salesmen licenses exceeded 99999, the last number allowable within the database. In order to continue issuing new dealer salesmen licenses, the Commission "reset" license numbers which had been previously sent to history after renewal. This occurs due to the timing of license renewal according to district. While the Commission appears to have maintained control over the new dealer salesmen license numbers issued during the fiscal year, loss of the numerical sequence could affect the internal control structure governing the issuance of new dealer salesmen licenses.

Recommendation:

We recommend that the Commission have the licensing software changed to allow for a six-digit field for new dealer salesmen license numbers.

Management Response:

We are in the process of having the computer program corrected so that this does not happen again.

The results of our test work disclosed the following in reference to the management letter issued August 13, 1996 in conjunction with the audit of the Louisiana Motor Vehicle Commission as of and for the year ended June 30, 1996:

Undercollateralized bank deposits - We did not note any instances during the fiscal year ended June 30, 1997 in which bank balances of the Commission were undercollateralized.