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STATE OF LOUISIANA  
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**LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA**

**FINANCIAL REPORT**

**June 30, 1999**

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Release Date: NOV 24 1999



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**LOUISIANA STATE LAW INSTITUTE**

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Jeffrey  
Holt  
Auditor

James  
Holtz

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Honorable Randy Dwyer, Co-Chair  
Honorable Harrington B. Dwyer, Co-Chair  
Legislative Budgetary Control Council  
State of Louisiana  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Louisiana State Law Institute, State of Louisiana, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Louisiana State Law Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Interim Report about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Louisiana State Law Institute, State of Louisiana, has included such disclosures in Note 9. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Louisiana State Law Institute's disclosures with respect to the year 2000 issue made in Note 9. Further, we do not provide assurance that the Louisiana State Law Institute is or will be year 2000 ready, that the Louisiana State Law Institute's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Louisiana State Law Institute does business will be year 2000 ready.

As discussed in Note 1, the financial statements of the Louisiana State Law Institute, State of Louisiana, are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Louisiana.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above, present fairly, in all material respects, the financial position of the Louisiana State Law Institute, State of Louisiana, as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 1999, on our consideration of the Louisiana State Law Institute, State of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements of the Louisiana State Law Institute, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

*Provost, Salter, Harper & Alford, L.L.C.*

October 21, 1999

**LOUISIANA STATE LAW INSTITUTE**

*Combined Balance Sheet - Fund Type and Account Groups*

*June 30, 1999*

	Governmental Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligation	
<b>ASSETS AND OTHER DEBIT</b>				
<b>Assets and Other Debit</b>				
Cash in bank	\$ 29,313	\$ -	\$ -	\$ 29,313
Furniture, fixtures and equipment	-	96,681	-	96,681
Other debit - Amounts to be provided for compensated absences	-	-	48,754	48,754
<b>Total Assets and Other Debit</b>	<b>\$ 29,313</b>	<b>\$ 96,681</b>	<b>\$ 48,754</b>	<b>\$ 174,748</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDIT</b>				
<b>Liabilities</b>				
Accounts payable	\$ 5,330	\$ -	\$ -	\$ 5,330
Accrued salaries and related benefits	28,564	-	-	28,564
Due to state treasury	23,981	-	-	23,981
Compensated absences	-	-	48,754	48,754
<b>Total Liabilities</b>	<b>57,875</b>	<b>-</b>	<b>48,754</b>	<b>106,629</b>
<b>Fund Equity and Other Credit</b>				
Investment in general fixed assets	-	96,681	-	96,681
Fund (deficit)	(28,564)	-	-	(28,564)
<b>Total fund equity and other credit</b>	<b>(28,564)</b>	<b>96,681</b>	<b>-</b>	<b>68,117</b>
<b>Total Liabilities, Fund Equity and Other Credit</b>	<b>\$ 29,313</b>	<b>\$ 96,681</b>	<b>\$ 48,754</b>	<b>\$ 174,748</b>

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**LOUISIANA STATE LAW INSTITUTE**


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*Statement of Revenues, Expenditures and Changes*
*Year Ended June 30, 1999*
*in Fund Balance*
*Governmental Fund Type - General Fund*


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**Revenues**

State appropriations	<u>\$ 908,344</u>
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**Expenditures**

Personnel services	608,830
Travel	75,740
Operating services	31,883
Supplies	5,875
Professional services	88,750
Other fees and services	59,045
Capital outlay	<u>12,024</u>

Total expenditures	<u>892,047</u>
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Excess of Revenues Over Expenditures	16,297
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**Other Financing Use**

Transfer to the State Treasury, General Fund	<u>(13,881)</u>
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**(Deficiency) of Revenues over Expenditures and Other**

Financing Use	<u>(2,584)</u>
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**Fund (Deficit)**

Beginning	<u>(14,900)</u>
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Ending	<u>\$ (18,564)</u>
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**LOUISIANA STATE LAW INSTITUTE**

*Statement of Revenues, Expenditures and Changes*

*Year Ended June 30, 1999*

*in Fund Balance - Budget (Legal Basis) and Actual - General Fund*

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
State appropriations	\$ 908,584	\$ 908,584	\$ -
<b>Expenditures</b>			
Personal services	626,164	597,166	28,998
Travel	81,680	76,740	4,940
Operating services	51,879	31,583	20,296
Supplies	9,480	9,876	(496)
Professional services	71,680	88,750	(17,070)
Other fees and services	54,010	66,165	(12,155)
Capital outlay	4,001	12,134	(8,133)
<b>Total expenditures</b>	<b>908,184</b>	<b>884,610</b>	<b>23,574</b>
<b>Excess of Revenues Over Expenditures</b>	<b>-</b>	<b>23,974</b>	<b>23,974</b>
<b>Other Financing Use</b>			
Transfers to the State Treasury, General Fund	-	(23,974)	(23,974)
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Financing Use</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund (Deficit)</b>			
Beginning	-	-	-
Ending	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Adjustments to Generally Accepted Accounting Principles</b>			
Accrued payroll not budgeted in the current year		(28,544)	
Ending, GAAP basis		<u>\$ (28,544)</u>	

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## LOUISIANA STATE LAW INSTITUTE

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Notes to Financial Statements

June 30, 1999

### 1. Summary of Significant Accounting Policies

The Louisiana State Law Institute, domiciled at the Law School of Louisiana State University, is chartered, created, and organized as an official advisory law revision commission, law reform agency and legal research agency of the State of Louisiana, and a part of the legislative branch of government. The Institute was created in accordance with Title 24: Chapter 4 of the Louisiana Revised Statutes of 1990.

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a *Codification of Governmental Accounting and Financial Reporting Standards*. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such pronouncements.

**Financial Reporting Entity.** Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the Louisiana State Law Institute) to be the State of Louisiana. The accompanying financial statements of the Louisiana State Law Institute contain self-account information of the General Fund and account groups 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.

**Fund Accounting.** The Louisiana State Law Institute uses fund accounting (separate sets of self-balancing accounts) to reflect the sources and uses of available resources and the budgetary restrictions placed on these funds by the Louisiana Legislature. The fund and account groups presented in the accompanying financial statements, and as described below, comprise the General Fund and account groups of the Louisiana State Law Institute:

#### Governmental Fund Type

**General Fund.** The General Fund is used to account for all of the Louisiana State Law Institute's general activities, including the acquisition of general fixed assets and the servicing of general long-term debt. It is used to account for all activities of the Law Institute.

**Account Groups.** The account groups are a reporting device designed to provide accountability for certain long-term assets and liabilities that are not recorded in the funds because they do not directly affect net expendable, available financial resources.



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## LOUISIANA STATE LAW INSTITUTE

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Notes to Financial Statements, Continued

June 30, 1999

**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.

**Revenues.** The governmental fund is accounted for using the modified accrual basis of accounting. The revenues are recognized when they become measurable and available. The revenues susceptible to accrual are state appropriations.

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

Statement C is not intended to reflect operations of the Louisiana State Law Institute in accordance with generally accepted accounting principles in that salaries and related benefits are recognized when paid unless specific authorization is provided in the annual legislative appropriation.

The statement is intended to compare the annual budget, which is not prepared in accordance with generally accepted accounting principles with comparable expenditures for the period.

**Fixed Assets.** The accompanying statements reflect furniture, fixtures, and equipment used by the Louisiana Law Institute and funded by the legislative appropriation, in daily operations. These assets are recorded at cost in the General Fixed Asset Account Group. Fixed assets are not depreciated.

The accompanying statements do not include the value of land and buildings provided without cost to the Louisiana Law Institute by the State of Louisiana. These assets are recorded with the annual financial statements of the State of Louisiana.

**Budgetary Function.** The Louisiana State Law Institute is required to submit to the Legislative Budgetary Control Council an estimate of the financial requirements for the ensuing fiscal year. The General Fund appropriation is enacted into law by the Legislature and sent to the Governor for his signature. The Institute is authorized to transfer budget amounts between accounts in the General Fund. Revisions, which alter total appropriations, must be approved by the Legislature. The level of budgetary responsibility is by total appropriation. All annual appropriations lapse at fiscal year-end and require that all unexpended or unencumbered funds must be returned to the State General Fund.

**Encumbrances.** Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balances on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balances until liquidated. Encumbrances are an allowable charge against the current-year appropriation. There were no encumbrances at year-end.

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## LOUISIANA STATE LAW INSTITUTE

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Notes to Financial Statements, Continued

June 30, 1999

**Leave Benefits.** Accumulated unpaid annual, sick, and compensatory leaves are reported in the General Long Term Obligation Account Group within the accompanying financial statements. The Institute's employees accrue unlimited amounts of annual and sick leave at varying rates, as established by the Institute's personnel manual. Upon resignation or retirement, unused annual leave of up to 240 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 240 hours and unused sick leave are credited as earned service in computing retirement benefits.

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per workweek. The compensatory leave may be used similarly to annual or sick leave. At June 30, 1998, annual leave of up to 240 hours, for which employees could be paid upon resignation or retirement, and compensatory leave, computed in accordance with the *Comptroller of Government Accounting and Financial Reporting Standards* Section C69.105, total \$48,734.

The following are the changes in compensated absences (general long-term obligation) during the year:

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Balance, July 1, 1998	\$ 41,487
Net Change	<u>1,247</u>
Balance, June 30, 1999	\$ 42,734

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**Postretirement Benefits.** The Louisiana State Law Institute provides certain health care and life insurance benefits for retired employees. Substantially all of the Institute's employees may become eligible for those benefits if they reach normal retirement age while working for the Institute. These benefits for retirees and similar benefits for active employees are provided through the State's Group Benefit Program whose monthly premiums are paid jointly by the employee and the Institute. The costs of retiree health care and life insurance benefits are recognized as expenditures when paid. Currently, no benefits are paid to any retirees.

**Total Column on Balance Sheet.** The total column on the balance sheet is captioned "Miscellaneous 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.

### 2. Retirement Systems

**Plan Description.** Substantially all employees of the Institute participate in the Louisiana State Employee's Retirement System (LASERS) or the Teacher's Retirement System of Louisiana (TRS), both of which are cost sharing, multiple-employer defined benefit pension plans administered by a separate Board of Trustees. These plans provide retirement, disability and

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## LOUISIANA STATE LAW INSTITUTE

Notes to Financial Statements, Continued

June 30, 1999

service benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits of both plans are guaranteed by the state of Louisiana under provisions of the Louisiana constitution of 1974. LASERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. The reports may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804-4213, or by calling (225) 923-6600, or by writing to Teachers' Retirement System of Louisiana, Post Office Box 94023, Baton Rouge, Louisiana, 70804-9023, or by calling (225) 923-6446.

**Funding Policy.** Plan members of the Louisiana State Law Institute are required by state statute to contribute 7.5% and 8% of their annual covered salary to LASERS and TRS, respectively and the Institute (as their employer) is required to contribute at an actuarially determined rate. The current employer rate is 13% and 16.4% of annual covered payroll for LASERS and TRS, respectively. The contribution requirements of plan members and the employer are established by, and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The State of Louisiana through the annual legislative appropriation funds the employer contribution. The Institute's employer contributions to LASERS and TRS for the years ending June 30, 1999, 1998, and 1997, which were equal to the required contributions for each year, were as follows:

June 30,	LASERS	TRS	Total
1999	\$ 51,888	\$ -	\$ 51,888
1998	52,883	563	53,446
1997	47,575	3,066	50,641

### 3. Furniture, Fixtures and Equipment

At June 30, 1999, the Louisiana State Law Institute had an inventory totaling \$96,682 of furniture, fixtures and equipment or movable property. The following summarizes transactions during the year:

	Balance, July 1, 1998	Additions	Deletions	Balance, June 30, 1999
Furniture, fixtures and equipment	\$ 85,636	\$ 15,191	\$ 4,145	\$ 96,682

**4. Cash in Bank**

Under State law, the Louisiana State Law Institute may deposit funds in an approved bank located in the State. Federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these public deposits. 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 bank.

At June 30, 1999, the carrying amount of the Louisiana State Law Institute's deposit was \$29,613 and the bank balance was \$61,042. The entire bank balance was covered by federal depository insurance (Category I).

**5. Litigation, Claims and Similar Contingencies**

Losses arising from litigation, claims, and similar contingencies are considered state liabilities and are paid by special appropriations made by the Louisiana Legislature. Any applicable litigation, claims, and similar contingencies are not recognized in the accompanying financial statements.

**6. Deferred Compensation Plan**

The state offers its employees a deferred compensation plan created in accordance with Internal Revenue Code § 457. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

It is the opinion of legal counsel that the state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary, prudent investor, holding these assets in a fiduciary capacity. Amounts relating to the Louisiana Public Employees Deferred Plan, which would include participation by certain employees of the Louisiana State Law Institute, are included within the financial statements of the State of Louisiana.

**7. Other Costs**

The State of Louisiana, through other appropriations, provides office space, utilities and janitorial services for the office facilities, all of which are not included in the accompanying financial statements.

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## LOUISIANA STATE LAW INSTITUTE

Notes to Financial Statements, Continued

June 30, 1999

### 8. Due To Other Governmental Units

Amounts due to other governmental units at June 30, 1999, consists of unexpended appropriations due the State Treasurer, State of Louisiana, in the amount of \$23,481.

### 9. Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the office's operations as early as fiscal year 1999.

The Louisiana State Law Institute has completed an inventory of critical computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the office's operations. These systems have been assessed, remediated, and tested and validated.

Because of the unprecedented nature of the year 2000 issue, its effects and success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Louisiana State Law Institute is or will be year 2000 ready, that the Institute's remediation efforts will be successful in whole or in part, or that parties with whom the office does business will be year 2000 ready.



**LOUISIANA STATE LAW INSTITUTE***Schedule of Professional Services**Year Ended June 30, 1999*

A. N. Yancopoulos	\$	8,500
Snaf Litvinoff		8,500
Cory deBrosses		7,500
Katherine S. Spalt		5,500
Thomas A. Harrell		5,500
William D. Howland		5,500
Jean A. LaBonte		6,000
Cynthia Samuel		2,500
Boris Simien, Jr.		2,500
Patrick H. Martin		4,250
Howard W. L'Esperant, Jr.		4,250
Dore S. Clodine		5,500
Kenneth Rigby		3,000
Elias Khalaf		3,600
Luz S. McGeagh		3,200
Suzanne Spensciden		5,500
Dora LaBonte		2,000
SSA Consultants		3,150
	<b>\$</b>	<b>88,750</b>



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

Honorable Randy Ewing, Co-Chair  
Honorable Huntington B. Downer, Co-Chair  
Legislative Budgetary Control Council  
State of Louisiana  
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana State Law Institute, State of Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated October 21, 1999, which was qualified because insufficient audit evidence exists to support the Louisiana State Law Institute, State of Louisiana's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, 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 Louisiana State Law Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of compliance finding and recommendation.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana State Law Institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Louisiana State Law



business's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of internal control structure reportable condition.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure components does not reduce to a relatively low level the risk that misstatements in accounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying schedule of internal control structure reportable condition is a material weakness as defined above.

This report is intended for the information of management, the Legislative Auditors, and the Legislative Budgetary Control Council and is not intended to be and should not be used by anyone other than these specified parties.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

*Provost, Salter, Harper & Alford, L.L.C.*  
October 21, 1999

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**LOUISIANA STATE LAW INSTITUTE**

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*Schedule of Compliance Finding and Recommendation**June 30, 1999***Finding: Noncompliance With the Louisiana Performance Audit Program**

**Condition:** The Louisiana State Law Institute is not in compliance with the Louisiana Performance Audit Program.

**Criteria:** Revised Statute 24:512 (R2) states that "All state agencies shall develop specific goals and objectives for each of their programs to include measures of performance. They shall report on program goals and objectives in developing annual budgets and shall submit such information to the Legislature as a part of the appropriation process."

**Effect:** The Louisiana Law Institute is not in compliance with the Revised Statutes of the State of Louisiana.

**Cause:** Management is waiting for guidance from the Legislative Budgetary Control Council and the Legislative Auditor with regard to the Louisiana Performance Audit Program.

**Recommendation:** Management should evaluate the requirements of Revised Statute 24:512 and develop goals and objectives for its programs accordingly.

**Auditor Response:** The Law Institute shall make every effort to comply with the directions of the Legislative Budgetary Control Council and the Legislative Auditor with regard to the Louisiana Performance Audit Program.

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**LOUISIANA STATE LAW INSTITUTE**

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*Schedule of Internal Control Structure Reportable Condition      Year Ended June 30, 1999***Inadequate Segregation of Duties**

**Condition.** The Institute is not large enough to permit an adequate segregation of employee duties for effective internal control over the purchasing (invoice approval, processing and general ledger) and reporting (journal entry preparation, approval and reconciliation) cycles.

**Criteria.** The processing of purchases and journal entries under the control of one person represents a failure to segregate the incompatible accounting activities.

**Effect.** The effect is such that errors, either intentional or unintentional, in the processing of purchases and journal entries could occur and not be detected in a timely manner and in the ordinary course of operations.

**Cause.** The size of the Institute and the limited number of employees do not permit an adequate segregation of incompatible duties.

**Recommendation.** Due to the size of the Institute's operations, it does not have sufficient staff to establish adequate segregation of duties. Management should consider if the cost associated with reducing this deficiency in the design or operation of the internal control structure is considered to be justified.

**Auditor Response.** Management has noted this condition and has determined that the cost necessary to establish adequate segregation of duties is not justifiable at this time.

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## LOUISIANA STATE LAW INSTITUTE

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*Independent Auditor's Comments on Resolutions  
Of Prior Audit Findings*

*Year Ended June 30, 2009*

The compliance finding and reportable condition described on pages 16 and 17 are repeat findings from prior years.