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ORLEANS INDIGENT DEFENDER PROGRAM**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT****FOR THE YEAR ENDED DECEMBER 31, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 8/11/04

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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Orleans Indigent Defender Program
New Orleans, Louisiana

We have audited the accompanying financial statements of the **Orleans Indigent Defender Program (OIDP)** as of and for the year ended December 31, 2003, as listed in the Table of Contents. These financial statements are the responsibility of **OIDP's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **OIDP** as of December 31, 2003, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of the
Orleans Indigent Defender Program
New Orleans, Louisiana
Page 2

As described in NOTE 2, **OIDP** adopted the provisions of the Government Auditing Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments and GASB Statement No. 38, Certain Financial Statements Note Disclosures, as of January 1, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2004 on our consideration of **OIDP's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on page 3 to 8 and budgetary comparison on page 27 are not required as part of the basic financial statements but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

May 29, 2004

**ORLEANS INDIGENT DEFENDER PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Orleans Indigent Defender Program (OIDP) management discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of **OIDP's** financial activity, and identify changes in **OIDP's** financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments and is intended to provide the financial results for the fiscal year ending December 31, 2003.

This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. The following is an illustration on how this financial report is presented.

MD&A
Management's Discussion and Analysis
(required and supplementary information – new)

Basic Financial Statements
Government-Wide Financial Statements

Fund Financial Statements
(refocused)

Notes to the financial statements
(expanded/restructured)

Other required Supplementary Information
Required supplementary information
(other than MD&A expanded)

**ORLEANS INDIGENT DEFENDER PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

As indicated in the illustration, GASB 34 requires the presentation of two basic types of financial statements: Government-Wide Financial Statements and Fund Financial Statements.

Government-Wide Financial Statements

The government-wide financial statements are new and provide a perspective of **OIDP** as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two government-wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets, for the first time, combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various services.

Fund Financial Statements

The fund statements are similar to financial presentations of years past, but the new focus is on **OIDP's** major funds rather than fund types as in the past. The two account groups: General Fixed Assets and General Long-term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used. In addition, capital asset purchases are expensed and not recorded as assets. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

The General Fund is the only fund of **OIDP**.

ORLEANS INDIGENT DEFENDER PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Financial Analysis of OIDP

Summary of Net Assets

Assets		
Current assets		<u>\$375,101</u>
Capital assets		58,170
Less accumulated depreciation		<u>(53,307)</u>
Capital assets, net book value		<u>4,863</u>
Total assets		<u>379,964</u>
Liabilities		
Current liabilities		<u>53,201</u>
Total liabilities		<u>53,201</u>
Net Assets		
Invested in capital assets		4,863
Unrestricted		<u>321,900</u>
Total net assets		<u>\$326,763</u>

As indicated by the statement above, total net assets are \$326,763. Net assets can be separated into two categories: invested in capital assets and unrestricted assets.

Invested in capital assets is a combination of capital assets at original cost less accumulated depreciation. The original cost of capital assets is \$58,170 which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$53,307.

The remaining \$321,900 in net assets is unrestricted. The unrestricted net assets are an accumulation of prior years' operating results. This balance is directly affected each year by **OIDP's** operating results.

ORLEANS INDIGENT DEFENDER PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Results of Operations

General Revenues

District assistance funds	\$ 472,481
Court costs on fines and forfeitures	1,471,851
Attorney fees	15,899
Bond funds	126,429
Probation assessments	129,266
Other income	<u>5,722</u>
Total general revenues	<u>2,221,648</u>

Expenses

Salaries and related benefits	1,765,069
Operating services	<u>553,739</u>
Total expenses	<u>2,318,808</u>
Decrease in net assets	\$ <u>(97,160)</u>

GASB 34 requires year over year comparisons, but since this is the first year of GASB 34, no comparison is required. This statement will have revenue and expense comparisons beginning in fiscal year 2004.

As indicated above, net assets decreased by \$97,160. The prior year net assets balance of \$423,923 was reduced by this decrease.

**ORLEANS INDIGENT DEFENDER PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Capital Assets and Debt Administration

Capital Assets

At December 31, 2003, **OIDP** has \$58,170 invested in furniture, fixtures and equipment.

Assets

Furniture, fixtures and equipment	\$ 58,170
Less accumulated depreciation	<u>(53,307)</u>
Net capital assets	\$ <u>4,863</u>

Depreciation expense for the year is \$5,388.

Economic Factors and Next Year's Budget

The major factor affecting the budget is the revenue received from court costs on fines and forfeitures, which includes fees received from traffic, municipal, juvenile and criminal court. Additionally, **OIDP** receives a district allotment from the Louisiana Indigent Defender Board.

Original vs. Revised Budget

As required by state law, **OIDP** adopts the original budget for the office prior to the commencement of the fiscal year to which the budget applies.

OIDP amended its original budget during the 2003 fiscal year.

Revenue Budget

OIDP's actual general fund revenues of \$2,221,648 were less than the budget by \$27,883, a variance of 1.2%. This variance was primarily created by actual court costs on fines and forfeitures falling short of budgeted amounts.

ORLEANS INDIGENT DEFENDER PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Increase in Expenditure Budget

OIDP's actual general fund expenditures of \$2,316,269 were more than the budget by \$17,019 or .7%. This variance is primarily due to employee insurance rates exceeding related budgeted amounts.

Contacting OIDP Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of **OIDP's** finances and demonstrate **OIDP's** accountability for money it receives. If you have questions about this report or need additional information, contact Mr. Tilden H. Greenbaum, III, Director, at Room 112 Criminal Courts Building, New Orleans, Louisiana 70119.

ORLEANS INDIGENT DEFENDER PROGRAM
STATEMENT OF NET ASSETS
DECEMBER 31, 2003

ASSETS

Current Assets:

Cash and cash equivalents (NOTE 2)	\$ 19,618
Court costs on fines and forfeitures receivable	<u>355,483</u>

Total current assets	375,101
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Capital assets, net (NOTE 3)	<u>4,863</u>
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Total assets	<u>379,964</u>
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LIABILITIES

Current Liabilities:

Accrued expenses	<u>53,201</u>
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Total current liabilities	<u>53,201</u>
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NET ASSETS

Investment in capital assets	4,863
Unrestricted	<u>321,900</u>

Total net assets	<u>\$326,763</u>
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The accompanying notes are an integral part of these financial statements.

ORLEANS INDIGENT DEFENDER PROGRAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Expenses:

Salaries and related benefits	\$1,765,069
Contractual services	390,852
Travel and education	3,005
Materials and supplies	8,792
Office expenditures	34,270
Audit and accounting	6,100
Insurance	73,938
Law books and pamphlets	24,327
Witness expense	5,466
Miscellaneous	1,601
Depreciation	<u>5,388</u>

Total expenses 2,318,808

General Revenues:

District assistance funds (NOTE 6)	472,481
Court costs on fines and forfeitures	1,471,851
Attorney fees	15,899
Bond funds	126,429
Probation assessments	129,266
Interest income	56
Other income	<u>5,666</u>

Total general revenues 2,221,648

Change in net assets (97,160)

Net assets, beginning of year as restated (NOTE 8) 423,923

Net assets, end of year \$ 326,763

The accompanying notes are an integral part of these financial statements.

ORLEANS INDIGENT DEFENDER PROGRAM
BALANCE SHEET-GOVERNMENTAL FUND-GENERAL FUND
DECEMBER 31, 2003

ASSETS

Cash and cash equivalents (NOTE 2)	\$ 19,618
Court costs on fines and forfeitures receivable	<u>355,483</u>
Total assets	<u>\$375,101</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accrued expenses	\$ <u>53,201</u>
Total liabilities	<u>53,201</u>

Fund Balance:

Undesignated	<u>321,900</u>
Total fund balance	<u>321,900</u>
Total liabilities and fund balance	<u>\$375,101</u>

The accompanying notes are an integral part of these financial statements.

ORLEANS INDIGENT DEFENDER PROGRAM
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2003

Total fund balance - Governmental Fund		\$321,900
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund (NOTE 3):		
The cost of capital assets	\$ 58,170	
Accumulated depreciation is	<u>(53,307)</u>	<u>4,863</u>
Net assets of governmental activities		<u>\$326,763</u>

The accompanying notes are an integral part of these financial statements.

ORLEANS INDIGENT DEFENDER PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE--GOVERNMENTAL FUND-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

Revenues:

District assistance funds (NOTE 6)	\$ 472,481
Court costs on fines and forfeitures	1,471,851
Attorney fees	15,899
Bond funds	126,429
Probation assessments	129,266
Interest income	56
Other income	<u>5,666</u>

Total revenues	<u>2,221,648</u>
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Expenditures:

Salaries and related benefits	1,765,069
Contractual services	390,852
Travel and education	3,005
Materials and supplies	8,792
Office expenditures	34,270
Audit and accounting	6,100
Insurance	73,938
Law books and pamphlets	24,327
Witness expense	5,466
Miscellaneous	1,601
Capital outlay	<u>2,849</u>

Total expenditures	<u>2,316,269</u>
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Change in fund balance	(94,621)
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Fund balance, beginning of year	<u>416,521</u>
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Fund balance, end of year	<u>\$ 321,900</u>
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The accompanying notes are an integral part of these financial statements.

ORLEANS INDIGENT DEFENDER PROGRAM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE--GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Total change in fund balance--Governmental Fund \$ (94,621)

Amounts reported for governmental activities in
the Statement of Net Assets are different because:

The Governmental Fund reported capital outlays as
expenditures whereas in the Statement of Activities
these cost are depreciated over their estimated lives:

Capital assets purchased	2,849
Depreciation expense	<u>(5,388)</u>

Change in net assets of governmental activities	<u>\$ (97,160)</u>
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The accompanying notes are an integral part of these financial statements.

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Background and Summary of Significant Accounting Policies:

Background

The **Orleans Indigent Defender Program (OIDP)**, established in compliance with Louisiana Revised Statutes 15:144-149, provides counsel to represent indigents (needy individuals) in criminal and quasi-criminal cases at the District Court level. The judicial district encompasses the Parish of Orleans, Louisiana. The Board of Directors is composed of seven (7) members who are appointed by the District Court for life. Board members serve without compensation. Revenues to finance **OIDP's** operations are provided primarily from court costs on fines imposed by the various courts within the district.

Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of **OIDP** have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Implementation of GASB Statements

During the fiscal year 2003, **OIDP** adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis-For State and Local Governments, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 established standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and Summary of Significant Accounting Policies, Continued:

B. Implementation of GASB Statements, Continued

Invested in Capital Assets - consists of capital assets, net of accumulated depreciation.

Restricted Net Assets - result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. At December 31, 2003, **OIDP** had no restricted net assets.

Unrestricted Net Assets - consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and Summary of Significant Accounting Policies, Continued:

C. Reporting Entity

For financial reporting purposes, in conformance with GASB Codification Section 2100, **OIDP** is a part of the District Court System of the State of Louisiana. However, **OIDP** operates autonomously from the State of Louisiana and independently from the District Court System. Therefore, **OIDP** reports as an independent reporting entity and the financial statements include only the transactions of **OIDP**.

D. Fund Accounting

OIDP uses a fund (General Fund) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

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

The fund of **OIDP** is classified as a governmental fund (General Fund), which accounts for **OIDP**'s general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition of general fixed assets.

The General Fund, as provided by R.S. 47:1906, is the principal operating fund of **OIDP** and accounts for the operation of **OIDP**'s office.

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and Summary of Significant Accounting Policies, Continued:

E. Basis of Accounting/Measurement Focus

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of **OIDP**.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

Fund Financial Statements (FFS)

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the governmental-wide statements and the statements for governmental funds are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and Summary of Significant Accounting Policies, Continued:

E. Basis of Accounting/Measurement Focus, Continued

Fund Financial Statements (FFS), Continued

FFS report detailed information about **OIDP**. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. At December 31, 2003, the general fund is the only major fund of **OIDP**.

The General Fund is maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. **OIDP** uses the following practices in recording revenues and expenditures.

Revenues

Court costs on fines and forfeitures are recorded in the month the amounts are collected by the appropriate courts. Interest income on time deposits is recorded when the time deposits have matured.

Expenditures

Expenditures are recognized in the accounting period in which the liability is incurred.

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and Summary of Significant Accounting Policies, Continued:

F. Budgetary Data

The **OIDP** utilizes the following budget practices:

- o In the last quarter of the year, a budget for the following year is prepared and submitted to the Board of Directors for approval. The budget may be amended during the year, if requested, with the approval of the Board of Directors.
- o The budget records are maintained in the accounting department with all other public records of this program and can be reviewed by making arrangements with the Director.
- o The budget is normally presented for approval at the last board meeting of the year and anyone can attend the budget hearing if they so desire.
- o The budget is based on prior year experience as to receipts and disbursements and takes into consideration increases in costs of services and supplies, taxes, insurance and equipment, as well as the increased costs of salaries and fringe benefits when raises and/or new positions are authorized. The budget as a whole is based on the amount of money that is available and the disbursements that are necessary to maintain the efficient operation of this program.

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and Summary of Significant Accounting Policies, Continued:

Summary of Significant Accounting Policies, Continued

F. Budgetary Data, Continued

- o Quarterly financial reports are submitted to the Board of Directors, which in part list the amount of the budget that has been used for that period and indicates a favorable or unfavorable difference as to the budget amount attributed to the period of time being reported.
- o All budgetary appropriations lapse at the end of the fiscal year and **OIDP** does not use a system of encumbrance accounting.
- o The budget for general fund expenditures is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing time deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less. Under state law, **OIDP** may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

H. Fixed Assets

Fixed assets are recorded as expenditures at the time purchased, and the related assets are reported in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and Summary of Significant Accounting Policies, Continued:

Summary of Significant Accounting Policies, Continued

I. Compensated Absences

All employees earn one and one-half (1 ½) days of vacation leave each month. Vacation leave can be accumulated up to a maximum of thirty (30) days. Sick leave is earned at the rate of two (2) days each month. Sick leave can be accumulated without limitation. Upon termination, all unused vacation and sick leave lapse. At December 31, 2003, there are no accumulated and vested benefits relating to vacation or sick leave that require disclosure or accrual to conform with accounting principles generally accepted in the United States of America.

J. Use of Estimates

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - Cash and Cash Equivalents:

OIDP had cash and cash equivalents totaling \$19,618 (book balances) at December 31, 2003, as follows:

Demand deposits	\$ 2,591
Time deposits	<u>17,027</u>
Total	<u>\$19,618</u>

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Cash and Cash Equivalents, Continued:

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2003, **OIDP** has \$64,789 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance (GASB Category 1).

NOTE 3 - Capital Assets:

Capital assets and depreciation activity as of and for the year ended December 31, 2003 is as follows:

<u>Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Furniture, fixtures and equipment	\$ 55,321	\$ 2,849	\$-0-	\$ 58,170
<u>Accumulated Depreciation</u> Furniture, fixtures and equipment	<u>(47,919)</u>	<u>(5,388)</u>	<u>-0-</u>	<u>(53,307)</u>
Net capital assets	<u>\$ 7,402</u>	<u>\$(2,539)</u>	<u>\$-0-</u>	<u>\$ 4,863</u>

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Pension Plan:

Substantially all of **OIDP's** employees participate in the federal social security program. **OIDP** is required to remit an amount to the Social Security Administration equal to the employee's contribution up to an established limit. **OIDP** does not guarantee any of the benefits granted by the Social Security Administration.

NOTE 5 - Operating Lease:

OIDP has an operating lease for office equipment. This lease has a remaining term of less than one (1) year.

Lease expense for the current year amounted to \$4,787.

NOTE 6 - District Assistance Fund Grant:

During the 2003 fiscal year, **OIDP** was awarded and received grant funds from the Louisiana Indigent Defender Board's (LIDB) District Assistance Fund.

The District Assistance Fund is a grant-in-aid program intended to provide supplemental financial assistance in felony cases to district indigent defender boards that have a need for such supplemental funding and that are willing to comply with the standards, guidelines, and policies of the Louisiana Indigent Defender Board.

Funding under the program is being provided to assist qualified district boards in improving the quality of indigent defense on a continuous basis especially with respect to the following major goals:

- 1) To lower attorney caseloads to levels consistent with LIDB and national caseload standards;

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - District Assistance Fund Grant, Continued:

- 2) To increase the pool of qualified attorneys certified under the LIDB's capital and appellate programs;
- 3) To provide more effective attorney unit support in the form of investigators, secretaries, and other forms of office support;
- 4) To improve criminal defense knowledge and skill through training, specialized continuing legal education, and better supervision; and
- 5) To defray expert witness/testing costs.

NOTE 7 - Risk Management:

OIDP is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which **OIDP** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 8 - Accounting Change:

OIDP implemented GASB 34 for the fiscal year ended December 31, 2003. The following adjustments were made in order to properly state beginning net assets of the government-wide financial statements at December 31, 2003.

ORLEANS INDIGENT DEFENDER PROGRAM
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Accounting Change, Continued:

Fund balance at December 31, 2002, as previously reported	\$416,521
GASB Statement No. 34 adjustments:	
Balance of capital assets acquired at at December 31, 2002	55,321
Accumulated depreciation at December 31, 2002	<u>(47,919)</u>
Net assets at January 1, 2003, as restated	<u>\$423,923</u>

SUPPLEMENTARY INFORMATION

ORLEANS INDIGENT DEFENDER PROGRAM
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Original Budget</u>	<u>Budgeted as Amended</u>	<u>Actual</u>	<u>Variance from Amended Budget Positive (Negative)</u>
Revenues:				
Court costs on fines and forfeitures	\$1,577,000	\$1,492,000	\$1,471,851	\$(20,149)
Probation assessments	117,000	130,000	129,266	(734)
Attorney fees	25,000	25,000	15,899	(9,101)
Interest	150	50	56	6
District assistance funds	479,358	472,481	472,481	-0-
Bond funds	135,000	130,000	126,429	(3,571)
Other revenue	<u>-0-</u>	<u>-0-</u>	<u>5,666</u>	<u>5,666</u>
Total revenues	<u>2,333,508</u>	<u>2,249,531</u>	<u>2,221,648</u>	<u>(27,883)</u>
Expenditures:				
Salaries and related benefits:				
Salaries	1,690,000	1,487,000	1,483,775	3,225
Payroll taxes	125,200	110,150	109,745	405
Employee insurance	157,100	152,100	171,549	(19,449)
Travel and education	7,500	3,000	3,005	(5)
Materials and supplies:				
Office supplies	8,000	8,000	8,792	(792)
Office expenditures:				
Computer expense	3,500	2,500	1,963	537
Copy machine lease and maintenance	8,800	8,300	5,582	2,718
Telephone	15,000	15,000	14,129	871
Postage	1,000	1,000	746	254
Parking expense	<u>6,700</u>	<u>7,200</u>	<u>7,206</u>	<u>(6)</u>
Sub-total	<u>2,022,800</u>	<u>1,794,250</u>	<u>1,806,492</u>	<u>(12,242)</u>

(CONTINUED)

See Accompanying Independent Auditors' Report.

ORLEANS INDIGENT DEFENDER PROGRAM
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Original Budget</u>	<u>Budgeted as Amended</u>	<u>Actual</u>	<u>Variance from Amended Budget Positive (Negative)</u>
Expenditures, Continued:				
Office expenditures, Continued				
Coffee supplies	\$ 700	\$ 500	\$ 410	\$ 90
Bottled water	1,500	1,500	999	501
Photo supplies	1,200	300	-0-	300
Beeper service	2,000	2,000	1,435	565
Storage space/rental	1,200	1,800	1,800	-0-
Contractual services	470,000	388,600	390,852	(2,252)
Audit and accounting	6,000	6,100	6,100	-0-
Insurance	72,000	72,000	73,938	(1,938)
Law books and pamphlets	20,000	20,000	24,327	(4,327)
Witness expense	15,000	10,000	5,466	4,534
Miscellaneous	1,200	1,200	1,601	(401)
Capital outlay	<u>2,500</u>	<u>1,000</u>	<u>2,849</u>	<u>(1,849)</u>
Total expenditures	<u>2,616,100</u>	<u>2,299,250</u>	<u>2,316,269</u>	<u>(17,019)</u>
Deficiency of revenues over expenditures	(282,592)	(49,719)	(94,621)	(44,902)
Fund balance at beginning of year	<u>416,521</u>	<u>416,521</u>	<u>416,521</u>	<u>-0-</u>
Fund balance at end of year	<u>\$ 133,929</u>	<u>\$ 366,802</u>	<u>\$ 321,900</u>	<u>\$(44,902)</u>

See Accompanying Independent Auditors' Report.



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Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

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

To the Board of Directors of the
Orleans Indigent Defender Program
New Orleans, Louisiana

We have audited the financial statements of the **Orleans Indigent Defender Program (OIDP)** as of and for the year ended December 31, 2003, and have issued our report thereon dated May 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 **OIDP'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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **OIDP'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 misstatement 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of **OIDP**, in a separate letter dated May 29, 2004.

This report is intended solely for the use of the Board of Directors, its management and the State of Louisiana, Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

May 29, 2004

ORLEANS INDIGENT DEFENDER PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2003

We have audited the financial statements of **Orleans Indigent Defender Program** as of and for the year ended December 31, 2003, and have issued our report thereon dated May 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2003 resulted in an unqualified opinion.

1. SUMMARY OF AUDITORS' RESULTS

- A. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements: **None Reported** Material weaknesses: **No**.
- B. Noncompliance which is material to the financial statements: **No**.
- C. Reportable conditions in internal control over major programs: **N/A** Material weaknesses: **N/A**.
- D. The type of report issued on compliance for major programs: **N/A**.
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **N/A**.
- F. Major programs: **N/A**.
- G. Dollar threshold used to distinguish between Type A and Type B programs: **N/A**.
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: **N/A**.
- I. A management letter was issued: **Yes**.

ORLEANS INDIGENT DEFENDER PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

2. FINANCIAL STATEMENT FINDINGS

No matters reported.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

**ORLEANS INDIGENT DEFENDER PROGRAM
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section I - Internal Control and Compliance Material to the Financial Statements

No findings reported.

Section II - Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III - Management Letter

See the status of the prior year management letter comment we have reported in a separate letter dated May 29, 2004.



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INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors of the
Orleans Indigent Defender Program
New Orleans, Louisiana

We have audited the financial statements of **Orleans Indigent Defender Program (OIDP)** for the year ended December 31, 2003 and have issued our report thereon dated May 29, 2004.

In planning and performing our audit of the financial statements of **OIDP** for the year ended December 31, 2003, we considered **OIDP's** internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments that accompany this letter summarize our findings and recommendations regarding those matters. This letter does not affect our report dated May 29, 2004 on the financial statements of **OIDP**.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various **OIDP** 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.

**ORLEANS INDIGENT DEFENDER PROGRAM
CURRENT YEAR MANAGEMENT LETTER COMMENTS**

03-01 Segregation of Duties

OIDP is a small governmental entity with only two (2) accounting staff employees. As such, multiple accounting and internal control functions overlap which causes a lack of segregation of duties.

We recommend that the custody of assets and the maintenance of the accounting records not be handled by the same individual. We also recommend that management and the Board of Directors become more active in the financial operation of **OIDP** to mitigate weak internal controls due to the lack of adequate segregation of duties.

Management's Response

OIDP concurs with the auditors' finding and recommendation. **OIDP** will immediately reassign certain duties to ensure that there is an adequate division of responsibilities among those who perform accounting procedures or control activities and those who handle assets. Management and the Board of Directors will provide the necessary oversight of incompatible activities to compensate for **OIDP's** small accounting staff.

03-02 Bank Reconciliation

We noted during our bank reconciliation testwork that two (2) immaterial unresolved reconciling items, relating to incorrect general ledger postings in July 2003 and August 2003, remained uncorrected in the general ledger from the date of the error through the end of the 2003 fiscal year.

The reconciliation of bank accounts and the appropriate division of duties with respect to cash balances and transactions, are key control activities. Therefore, we recommend that **OIDP** resolve all reconciling items noted during monthly reconciliations and timely make the appropriate journal entry in the general ledger, if necessary. **OIDP** should also ensure that the bank reconciliation control activity is adequately segregated from incompatible duties and that bank reconciliations are reviewed by the Director on a monthly basis.

ORLEANS INDIGENT DEFENDER PROGRAM
CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

03-02 **Bank Reconciliation, Continued**

Management's Response

OIDP will immediately implement procedures that requires the Director to review and approve the monthly bank reconciliation. The Director will also make certain that all reconciling items that relate to errors in the general ledger are adjusted in a timely manner.

ORLEANS INDIGENT DEFENDER PROGRAM
PRIOR YEAR MANAGEMENT LETTER COMMENT

02-01 Untimely Deposits

We recommended that **OIDP** implement controls to ensure the protection of cash received by **OIDP** include endorsing checks as soon as they are received and promptly depositing them in a bank account. Each day's cash receipts should be deposited intact and without delay by an individual independent to other cash functions.

Current Status

Resolved

This report is intended solely for the use of the Board of Directors, its management and the State of Louisiana, Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

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May 29, 2004