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**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

Tax Collector Agency Fund

Financial Statements

June 30, 1999 and 1998

(With Independent Auditors' Report Thereon)

Under provisions of state law, this report is a public document. A copy of the report has been furnished to the audited, or reporting, 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 1-12-00

**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

Tax Collector Agency Fund

Financial Statements

June 30, 1999 and 1998

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1900 Deposit Guaranty Tower  
333 Texas Street  
Shreveport, LA 71101-3692

## Independent Auditors' Report

The Honorable Donald E. Hathaway  
Caddo Parish Sheriff and Ex-Officio  
Parish Tax Collector  
Shreveport, Louisiana:

We have audited the accompanying financial statements of the Tax Collector Agency Fund of the Caddo Parish Sheriff as of and for the years ended June 30, 1999 and 1998, as listed in the foregoing table of contents. These financial statements are the responsibility of the Caddo Parish Sheriff's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in note 1 to the financial statements, the Caddo Parish Sheriff is the ex-officio parish tax collector for the various taxing bodies within Caddo Parish, and the accompanying financial statements present information only on the Caddo Parish Sheriff's activities as parish tax collector.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Tax Collector Agency Fund of the Caddo Parish Sheriff as of June 30, 1999 and 1998, and the collections, distributions, and unsettled balances of the Tax Collector Agency Fund of the Caddo Parish Sheriff for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 1999, on our consideration of the Caddo Parish Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Year 2000 supplementary information on page 7 listed as Required Supplementary Information in the foregoing table of contents is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Tax Collector Agency Fund is or will become Year 2000 compliant, that the Tax Collector Agency Fund's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Tax Collector Agency Fund does business are or will become Year 2000 compliant.

**KPMG LLP**

October 8, 1999



**CADDO PARISH SHERIFF**  
Shreveport, Louisiana  
Tax Collector Agency Fund  
Statement of Assets and Liabilities  
June 30, 1999 and 1998

	<b>Assets</b>	<u>1999</u>	<u>1998</u>
Cash		\$ <u>3,295,571</u>	<u>603,959</u>
	<b>Liabilities</b>		
Unsettled balances due to taxing bodies and others		\$ <u>3,295,571</u>	<u>603,959</u>

See accompanying notes to financial statements.

**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

Tax Collector Agency Fund

Statement of Collections, Distributions, and Unsettled Balances  
Years ended June 30, 1999 and 1998

	1999	1998
Unsettled balances due to taxing bodies and others, at beginning of year	\$ 603,959	1,154,882
<b>Collections:</b>		
Ad valorem taxes	119,345,189	114,723,546
State revenue sharing	5,035,618	5,073,740
Sporting licenses	478,521	425,081
Interest income on demand deposits	362,875	224,114
Refunds and redemptions	1,508,537	1,200,789
Miscellaneous costs	38,361	9,678
Total collections	126,769,101	121,656,948
<b>Distributions:</b>		
Louisiana Tax Commission	51,293	21,064
Louisiana Department of Treasury	-	353,796
Louisiana Department of Agriculture and Forestry	23,985	24,496
Louisiana Department of Wildlife and Fisheries	373,830	384,431
<b>Caddo Parish:</b>		
Commission	24,312,026	24,297,516
School Board	63,897,165	62,799,864
Sheriff	12,371,224	12,139,297
Assessor	2,021,764	1,979,956
Waterworks districts	28,416	33,491
Sewerage districts	194,796	193,555
Fire protection districts	2,992,550	2,952,104
Hospital district	152,461	170,150
Levee district	370,829	15,339
Shreve Memorial Library	7,971,181	7,803,117
Clerk of Court	15,010	14,458
Red River Waterway Commission	2,200,420	2,154,498
Caddo/Bossier Port Commission	1,833,441	1,792,247
Pension funds	3,368,605	3,351,429
Refunds and redemptions	1,898,493	1,727,063
Total distributions	124,077,489	122,207,871
Unsettled balances due to taxing bodies and others, at end of year	\$ 3,295,571	603,959

See accompanying notes to financial statements.

**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

Tax Collector Agency Fund

Notes to Financial Statements

June 30, 1999 and 1998

**(1) Summary of Significant Accounting Policies**

As provided by Article V, Section 27 of the Louisiana Constitution of 1974, the Caddo Parish Sheriff ("Sheriff") is the ex-officio parish tax collector ("Tax Collector") and is responsible for collecting and distributing ad valorem property taxes, state revenue sharing funds, and angling, hunting, and trapping licenses.

**(A) Reporting Entity**

Louisiana Revised Statute 24:513(I)(1)(b) requires that the accounts of each parish tax collector be audited annually. Accordingly, the accompanying financial statements reflect the financial activity of the Tax Collector relating only to the Sheriff's responsibility as ex-officio parish tax collector. These financial statements do not present the financial position and results of operations of the Sheriff. Amounts included in these financial statements are also included in the Sheriff's annual financial statements as agency fund activity. The Sheriff is a component unit of the Caddo Parish Commission (governing authority of the parish) for financial reporting purposes; however, the position of the Sheriff is a constitutional office and as such has power to set budgets, call tax elections, and appropriate funds with no oversight or review by the Commission. The Commission has an obligation to furnish the Sheriff office space and minimal financial support according to state statutes.

**(B) Basis of Presentation**

The accounts of the Tax Collector are established to reflect the collections imposed by law, distributions pursuant to such law, and unsettled balances due various taxing bodies and others.

**(C) Basis of Accounting**

The Caddo Parish Sheriff Tax Collection function is presented as an Agency Fund. Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus.

**(D) Cash**

State law authorizes the Tax Collector to deposit tax collections in interest-bearing accounts with a bank domiciled in the parish when the funds are collected. Furthermore, state statutes authorize the Tax Collector to invest in direct United States Treasury obligations; indebtedness issued or guaranteed by federal governmental agencies (provided such obligations are backed by the full faith and credit of the U.S. government); indebtedness issued or guaranteed by

**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

Tax Collector Agency Fund

Notes to Financial Statements

June 30, 1999 and 1998

federally sponsored U.S. government agencies; time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana; or mutual or trust fund institutions which are registered with the Securities and Exchange Commission.

**(2) Cash**

At June 30, 1999 and 1998, the carrying amount of the Tax Collector's deposits was \$3,295,571 and \$603,959, respectively. The bank balance was \$3,333,168 and \$734,781 for 1999 and 1998, respectively. The difference in the balances for each year is due to outstanding checks.

The entire balance of the Tax Collector's deposits were in interest-bearing accounts at year end. Of these deposits, representing unsettled tax collections, \$149,721 was covered by federal depository insurance (GASB Category 1); and \$3,183,447 was collateralized with securities held by the pledging financial institution's trust department or agent, but in the Tax Collector's name (GASB Category 2).

**(3) State Revenue Sharing Funds**

The revenue sharing funds provided by Louisiana Act 945 of 1991 were distributed as follows:

	1999	1998
Caddo Parish:		
Assessor	\$ 103,881	105,382
Commission	1,144,974	1,160,673
School Board	1,975,380	2,003,929
Sheriff	934,582	923,815
Waterworks districts	677	683
Sewerage districts	3,239	3,288
Fire protection districts	102,594	103,858
Shreve Memorial Library	422,915	429,026
Levee district	28,683	29,193
Red River Waterway Commission	116,609	118,295
Pension funds	202,084	195,598
Total	\$ 5,035,618	5,073,740

**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

Tax Collector Agency Fund

Notes to Financial Statements

June 30, 1999 and 1998

**(4) Protest Taxes**

Louisiana Revised Statute 47:2110 provides that taxpayers, at the time of payment of all taxes due, may give notice to the Tax Collector of their intention to file suit for recovery of all or a portion of the total taxes paid. Upon receipt of this notice, the amount paid is segregated and held by the Tax Collector for a period of 30 days. If suit is filed within the 30-day period for recovery of such amounts, the funds are held pending outcome of the suit. If the taxpayer prevails, the Tax Collector refunds the amount due, with interest at the actual rate earned on the money paid under protest from the date the funds were received by the Tax Collector. At June 30, 1999 and 1998, the Tax Collector held \$2,450,658 and \$247,982, respectively, in protest taxes.



**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

Tax Collector Agency Fund

Required Supplementary Information

Year 2000 Disclosures  
(Unaudited)

The Tax Collector is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The Year 2000 Issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs may fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the Year 2000 Issue could affect electronic equipment containing computer chips that have date recognition features.

The Tax Collector has completed an inventory of computer systems and other electronic equipment and the awareness, assessment and remediation stages of its Year 2000 compliance work with respect to its computer systems, which included the development of contingency plans. These plans were developed in the event that any of its computer systems or critical suppliers are not Year 2000 compliant. The Tax Collector is currently within the validation/testing stage, during which the Tax Collector validates and tests the changes made during the remediation process. The costs associated with these changes are being funded on a pay-as-you-go basis. The validation and testing phase of the work is targeted to be completed by December 1, 1999. As of June 30, 1999, the Tax Collector had no significant amount of resources committed.

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. Management cannot assure that the Tax Collector is or will be year 2000 ready, that the Tax Collector's remediation efforts will be successful in whole or in part, or that third-party suppliers, customers or Federal and State Agencies with whom the Tax Collector does business will be year 2000 ready.



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**Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Donald E. Hathaway  
Caddo Parish Sheriff  
Shreveport, Louisiana:

We have audited the financial statements of the Tax Collector Agency Fund of the Caddo Parish Sheriff as of and for the year ended June 30, 1999, and have issued our report thereon dated October 8, 1999. 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 Tax Collector Agency Fund'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*. However, we noted an immaterial instance of noncompliance reported to the management of the Caddo Parish Sheriff in a separate letter dated October 8, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Tax Collector Agency Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting and other operational matters that we have reported to the Sheriff in a separate letter dated October 8, 1999.

This report is intended solely for the information and use of the Caddo Parish Sheriff, Caddo Parish Sheriff's management, the State of Louisiana Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 8, 1999





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333 Texas Street  
Shreveport, LA 71101-3692

October 8, 1999

**CONFIDENTIAL**

The Honorable Sheriff Donald E. Hathaway  
Caddo Parish Sheriff  
Shreveport, Louisiana

We have audited the financial statements of the Caddo Parish Sheriff, Caddo Correctional Center, and Tax Collector - Agency Fund (the "Sheriff") as of and for the year ended June 30, 1999, and have issued our reports thereon dated October 8, 1999. In planning and performing our audits of the financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

During our audits, we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

**YEAR 2000 COMPUTER ISSUES**

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. The Sheriff's computer programs and certain hardware that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruption of operations. In addition, some computerized systems do not properly perform calculations with dates beginning in 1999 because these systems use the digits "99" in date fields to represent something other than the year 1999. Such problems are known as the Year 2000 Issue. The Year 2000 Issue may manifest itself before, on or after January 1, 2000, and its effects on operations and financial reporting may range from minor errors to catastrophic systems failure.

The Year 2000 Issue is a significant concern. Failure to adequately address the year 2000 could result in costly and significant application program failures that prevent the Sheriff from performing its normal processing activities. At this stage, contingency planning is vitally important to ensuring the Sheriff is in a position to continue operating uninterrupted. However, there can be no assurance that the systems of other companies, on which the Sheriff's systems rely, will be timely converted or that any such failure to convert by another company would not have an adverse effect on the Sheriff's systems.



### AGENCY FUNDS

**Observation** — During our review of the Sheriff's agency funds, we noted that the fund activity rollforward for the Sheriff's Sales Fund does not agree to its corresponding bank reconciliation. This difference appears to be due to a difference in the beginning balance carried over from a previous year.

**Recommendation and Benefit** — We recommend adjustments be recorded necessary to correct the fund activity rollforward and, on a going-forward basis, the fund activity rollforwards for all agency funds be prepared on a monthly basis and agreed to the bank reconciliations. This procedure will allow the Sheriff's office to isolate and investigate cash over (short) amounts on a timely basis.

### INTERNAL CONTROLS - CASH

**Observation** — During our audit procedures, we noted that the check signing machine is kept in a vacant office in the accounting department; however, two keys are needed to operate the check signing machine. The keys to the check signing machine as well as all checks are maintained in a locked closet within the accounting department. All accounting department employees have keys to the closet providing them unlimited access to both the checks and check signing machine.

**Recommendation and Benefit** — We noted the accounting department maintains a check log for both computerized and manual checks to ensure all checks are properly accounted for at all times. This log is examined periodically by accounting department personnel. We recommend additional controls be implemented. For example, limiting the number of employees with access to the closet and/or one of the two keys needed to operate the check signing machine be accessible only by the controller and director.

### STATE BID LAWS

**Observation** — During the current fiscal year, it was noted that several purchases of materials and supplies totaling greater than \$15,000 of the same and/or similar items with one particular vendor were not considered for the bid process. These purchases spanned the entire fiscal year, rather than being one lump sum purchase.

**Recommendation and Benefit** — R.S. 38.2212.A.(1)(a)(ii) states that all purchases of \$7,500 or more, but less than \$15,000 shall be made by obtaining not less than three telephone or facsimile quotations. R.S. 38.2212.A.(1)(a)(i) states that all purchases of any materials or supplies exceeding the sum \$15,000 to be paid out of public funds, to be done by a public entity shall be advertised and let by contract to the lowest responsible bidder who had bid according to the contract, plans, and specifications as advertised, and no such public work shall be done and no such purchase shall be made except as provided in this Part.

The Honorable Sheriff Donald E. Hathaway  
Caddo Parish Sheriff  
October 8, 1999  
Page 3

The \$7,500/\$15,000 stated thresholds, per the state bid laws, are interpreted to mean individual purchases not cumulative purchases. However, in the event that planned expenditures for a project are expected to exceed the state dollar thresholds, proper bid procedures should be followed. We noted that steps have been taken by the purchasing department to address compliance with state bid laws as it relates to multiple purchases of materials and supplies with one specified vendor.

\* \* \* \* \*

Our procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the above named entities gained during our work to make comments and suggestions that we hope will be useful to you.

We would like to take this opportunity to thank the personnel of the Caddo Parish Sheriff, Caddo Correctional Center, and Caddo Parish Tax Collector for their cooperation and assistance during the course of our audit.

This report is intended solely for the information and use of the Caddo Parish Sheriff, Caddo Correctional Center, Caddo Parish Tax Collector, management, State of Louisiana Legislative Auditor, and federal agencies.

Very truly yours,

KPMG LLP



CHIEF CRIMINAL DEPUTY  
D. Milton Almond  
(318) 681-0631

# Don Hathaway

Sheriff and Ex-Officio Tax Collector  
Caddo Parish Courthouse  
501 Texas St. Room 101  
Shreveport, Louisiana 71101-5410  
(318) 681-0609 FAX: (318) 226-6589  
WEB SITE: [www.caddosheriff.org](http://www.caddosheriff.org)

## ASSISTANT CHIEF DEPUTIES

John M. Sells  
*Detention*  
(318) 677-5254

Marcus C. Williams, Jr.  
*Administration*  
(318) 681-0694

December 16, 1999

Mr. Daniel G. Kyle, CPA, CFE  
Legislative Audit Advisory Council  
State of Louisiana  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Kyle:

In reference to the comments in the management letter from KPMG dated October 8, 1999, the matters noted have been addressed as follows:

### Year 2000 Computer Issues

The Sheriff's Office has implemented Y2K updates provided by the vendors for the primary software used throughout the organization on our mainframe system. The majority of the personal computers have been rebuilt or replaced with Y2K compliant equipment. Management has also attempted to identify and document all contingency plans for continued operations, computer and non-computer related.

### Agency Funds

The Comptroller, Internal Auditor, Agency Fund Divisions, and KPMG auditors will coordinate efforts to identify and adjust differences in beginning balances on the rollforward schedules and correct variances between ledger and bank balances for the audit year ending June 30, 2000.

### Internal Controls -- Cash

All accounting personnel are allowed access to the area where check signing machine keys are located. Currently, there are only four employees besides the comptroller and director, all of which have responsibilities for safeguarding funds received and/or check stock. However, we can restrict access to the second operating key to the comptroller, director, and manager. The manager position will be filled in January 2000 allowing for additional controls over cash and other accounting functions.

Page Two  
Daniel Kyle

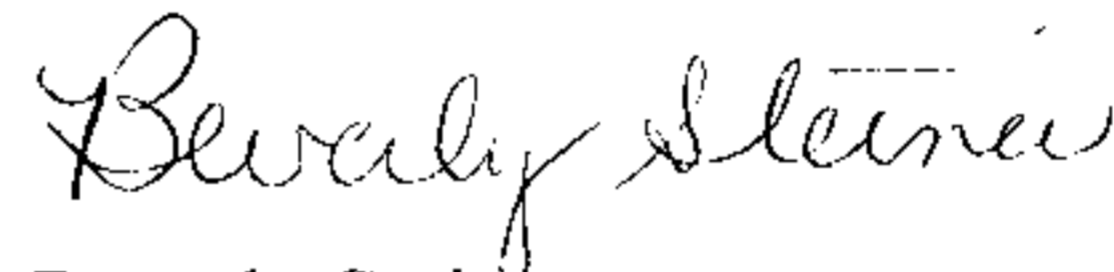
State Bid Law

The Sheriff's Office has adopted centralized purchasing procedures to ensure that all purchases will be evaluated and addressed as to the compliance with state bid laws by the purchasing department. The Comptroller through the budget process, financial statement review, and vendor analysis will monitor this process.

Please contact us should you have other questions or requests.

Sincerely,

DON HATHAWAY, SHERIFF



Beverly Steiner  
Comptroller

cc: Sheriff Don Hathaway  
Chief Milton Almond  
Asst. Chief Marcus Williams