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STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Board of Examiners for
Nursing Facility Administrators
Department of Health and Hospitals
State of Louisiana
Baton Rouge, Louisiana

August 21, 1996



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Two Years Ended June 30, 1995
With Supplemental Information Schedules**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

August 21, 1996

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Two Years Ended June 30, 1995
With Supplemental Information Schedule

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May 22, 1996

Independent Auditor's Report
on the Financial Statements

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We were engaged to audit the accompanying general purpose financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators, a component unit of the State of Louisiana, as of and for the two years ended June 30, 1995, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Louisiana Board of Examiners for Nursing Facility Administrators.

As explained in Exhibit A of this report, the board's accounting records were incomplete and contained major inadequacies. These inadequacies made it impractical to apply sufficient audit procedures to enable us to express an opinion on the fair presentation of the accompanying general purpose financial statements.

Because we were not able to apply sufficient auditing procedures to satisfy ourselves as to the amounts included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the general purpose financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 22, 1996, on our consideration of the board's internal control structure and a report dated May 22, 1996, on its compliance with laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

MGT:MLD:dl

[NFA]

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, June 30, 1995

	GOVERNMENTAL FUND - GENERAL FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$153,214		\$153,214
Accounts receivables - NSF checks	510		510
Due from other funds - DHH interagency transfers	49,641		49,641
Other assets - accrued interest	207		207
Fixed assets		\$84,116	84,116
TOTAL ASSETS AND OTHER DEBITS	\$203,572	\$84,116	\$287,688
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$12,966		\$12,966
Payroll deductions and withholdings payable	4,088		4,088
Due to other funds - retirement	5,706		5,706
Other liabilities - accrual vacation and payoff	18,877		18,877
Total Liabilities	41,637	NONE	41,637
Equity and Other Credits:			
Investment in general fixed assets		\$84,116	84,116
Fund balance - unreserved - undesignated	161,935		161,935
Total Equity and Other Credits	161,935	84,116	246,051
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	\$203,572	\$84,116	\$287,688

The accompanying notes are an integral part of this statement.

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Two Years Ended June 30, 1995

	<u>JUNE 30, 1995</u>	<u>JUNE 30, 1994</u>
REVENUES		
Licenses, permits, and fees	\$199,585	\$110,662
Use of money and property - interest earnings	3,398	3,307
Other	289,594	115,030
Total revenues	<u>492,577</u>	<u>228,999</u>
EXPENDITURES		
General government:		
Personal services and related benefits	164,122	124,155
Operating services	128,629	76,538
Materials and supplies	29,891	49,044
Travel and other charges	17,904	12,361
Capital outlay - fixed assets	38,877	
Total expenditures	<u>379,423</u>	<u>262,098</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	113,154	(33,099)
FUND BALANCE AT BEGINNING OF YEAR	<u>48,781</u>	<u>81,880</u>
FUND BALANCE AT END OF YEAR	<u><u>\$161,935</u></u>	<u><u>\$48,781</u></u>

The accompanying notes are an integral part of this statement.

UNAUDITED

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
GOVERNMENTAL FUND - GENERAL FUND**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget
(GAAP/Non-GAAP Basis) and Actual
For the Two Years Ended June 30, 1995**

	JUNE 30, 1995		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Revenues - Statement B	\$488,830	\$492,577	\$3,747
EXPENDITURES			
Expenditures - Statement B	411,437	379,423	32,014
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	77,393	113,154	35,761
FUND BALANCE AT BEGINNING OF YEAR	60,000	48,781	(11,219)
FUND BALANCE AT END OF YEAR	<u>\$137,393</u>	<u>\$161,935</u>	<u>\$24,542</u>

The accompanying notes are an integral part of this statement.

Statement C

JUNE 30, 1994		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>\$263,800</u>	<u>\$228,999</u>	<u>(\$34,801)</u>
<u>261,096</u>	<u>262,098</u>	<u>(1,002)</u>
2,704	(33,099)	(35,803)
<u>81,880</u>	<u>81,880</u>	<u>NONE</u>
<u><u>\$84,584</u></u>	<u><u>\$48,781</u></u>	<u><u>(\$35,803)</u></u>

UNAUDITED

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Notes to the Financial Statements
As and for the Two Years Ended June 30, 1995

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Examiners of the NFA Board is a component unit of the State of Louisiana created within the Louisiana Department of Health and Hospitals, as provided by Louisiana Revised Statute 37:2501. The board is composed of 13 members, appointed by the Governor who serve terms of various years. The board is charged with the responsibility of setting standards for nursing facility administrators, examining and licensing NFA's, setting standards of practice, and developing and maintaining federally mandated Certified Nurses Aide Registry. Operations of the board are funded with self-generated and interagency transfers from DHH.

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

The NFA Examiners Board prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying statements present only transactions of the NFA Examiners Board, a component unit of the State of Louisiana.

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

B. FUND ACCOUNTING

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

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LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

General Fund

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

Account Groups

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

C. BASIS OF ACCOUNTING

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

Revenues

Revenues for biennial re-registration are reported in the fiscal year in which they are used.

All other revenues are reported within the year received or accrued.

Expenditures

Expenditures are recognized and paid for during the fiscal year in which the obligations are incurred or accrued.

Other Financing Sources (Uses)

Interagency transfers from DHH to operate the CNA Registry are recognized and expensed during the fiscal year in which they are received or accrued.

D. GENERAL FIXED ASSETS

Fixed assets used in the governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds.

UNAUDITED

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Depreciation has not been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost.

The changes in general fixed assets follow:

	Furniture and Equipment
Balance, July 1, 1993	\$24,741
Additions	20,588
Deletions	(90)
Balance, June 30, 1994	\$45,239
Balance, July 1, 1994	\$44,969
Additions	39,147
Deletions	NONE
Balance, June 30, 1995	\$84,116

E. ENCUMBRANCES

The board does not use encumbrance accounting other than up to 300 hours of annual leave per full-time employee.

F. VACATION AND SICK LEAVE

The Examiners of the NFA Board has the following policy related to vacation and sick leave:

Vacation and sick leave are accumulated by classified and unclassified employees according to Civil Service regulations.

At June 30, 1995, employees of the board had accumulated and vested \$13,616 of employee leave benefits, which was computed in accordance with GASB Codification C60. Of this amount, \$13,616 is recorded as an obligation of the General Fund.

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LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

G. PENSION PLAN

Substantially all employees are members of the State Employees Retirement System or the Social Security System. In addition to the employee contribution withheld at 7.5 percent of gross salary, the state contributes an additional 11.9 percent and 7.65 percent of gross salary to the State Retirement and Social Security Systems, respectively. Contributions to the system are funded through employee and employer contributions of \$10,887 and \$15,775, respectively, for the year ended June 30, 1995, and \$8,399 and \$1,497, respectively, for the year ended June 30, 1994. The total current year payroll of the agency (all types of wages) was \$138,120, and its current year payroll covered by the retirement system(s) was \$111,087 for the year ended June 30, 1995, and total payroll of the agency was \$103,913 and its payroll covered by the retirement system(s) was \$88,790 for the year ended June 30, 1994. Under present statutes, the agency does not guarantee any of the benefits granted by the retirement system.

H. LEASES

Operating Leases

Nature of the Operating Leases	1995-96	1996-97	1997-98	1998-99
Office space	\$30,444	\$30,444	\$30,444	\$30,444
Copy machine	4,893	4,893	4,893	
Postage machine	3,593	3,593		
Total	\$38,930	\$38,930	\$35,337	\$30,444

Rental expense for operating leases with scheduled rent increases is based on the relevant lease agreement except in those cases where a temporary rent reduction is used as an inducement to enter the lease. In those instances, rental expense is determined on either a straight-line or interest basis over the term of the lease and not in accordance with lease terms as required by GASB Statement 13.

I. CASH AND CASH EQUIVALENTS

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

UNAUDITED

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
Notes to the Financial Statements (Concluded)

and in share accounts and share certificate accounts of federally or state chartered credit unions.

As reflected on Statement A, the Examiners of the NFA Board had cash and cash equivalents totaling \$153,064 at June 30, 1995. Cash and cash equivalents are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amounts on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at June 30, 1995, were secured as follows:

	Cash	Cash Equivalents		Total
		Certificates of Deposit	Money Markets	
Carrying amount on balance sheet	<u>\$62,718</u>	<u>\$50,000</u>	<u>\$40,346</u>	<u>\$153,064</u>
Bank balances: Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	<u>\$62,718</u>	<u>\$50,000</u>	<u>\$40,346</u>	<u>\$153,064</u>

J. DUE TO/FROM OTHER FUNDS

Individual fund type balances due to/from other funds at June 30, 1995, are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>
Department of Health and Hospitals	<u>\$49,641</u>

K. TOTAL COLUMNS ON STATEMENTS

The total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

UNAUDITED

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULE
For the Two Years Ended June 30, 1995**

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board members are paid \$50 for each board meeting they attend, as authorized by Louisiana Revised Statute 37:2503.

LOUISIANA BOARD OF EXAMINERS FOR
 NURSING FACILITY ADMINISTRATORS
 DEPARTMENT OF HEALTH AND HOSPITALS
 STATE OF LOUISIANA
 GENERAL FUND

Schedule of Per Diem Paid Board Members
 For the Two Years Ended June 30, 1995

	<u>JUNE 30, 1995</u>	<u>JUNE 30, 1994</u>
A. A. Kelley, Jr.	\$1,750	\$1,450
Ray Naquin	700	500
Robert Rimes	500	450
Harold Gamburg	550	650
Myron A. Walker, M.D.	100	250
Joe Donchess	200	300
John Matessino	1,450	450
Enrica Singleton	100	
Betty Adams	100	1,800
Joseph Hamrick	300	450
Maxine McCullough	650	600
Elizabeth Humphrey	650	600
	<hr/>	<hr/>
Total	<u>\$7,050</u>	<u>\$7,500</u>

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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May 22, 1996

Independent Auditor's Report on Internal Control Structure Based
Solely on an Audit of the General Purpose Financial Statements

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We were engaged to audit the general purpose financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators, a component unit of the State of Louisiana, as of June 30, 1995, and for the two years then ended, and have issued our report thereon dated May 22, 1996. Our report dated May 22, 1996, stated that because we were not able to satisfy ourselves as to the amounts included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements.

Our audit was to have been conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. However, because of the control weaknesses noted in this exhibit, we were not able to apply the foregoing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

EXHIBIT A

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Internal Control Report

May 22, 1996

Page 2

In planning and performing our audit of the general purpose financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators, for the two years ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such as opinion.

In our consideration of the internal control structure, we noted that the size of the board's operations precludes an adequate segregation of duties and other features of an adequate internal control structure, although to employ such controls may not be cost beneficial, which we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The results of our tests disclosed the following matters that we consider to be reportable conditions.

Accounting Control Weaknesses

For the second consecutive audit, the Louisiana Board of Examiners for Nursing Facility Administrators did not provide proper internal controls or maintain complete accounting records during the period under audit. A good internal control structure should provide for adequate segregation of duties so that no one individual would be in a position to both initiate and conceal errors and/or irregularities. In addition, a proper internal control structure requires that records be maintained that (1) provide evidence that the board has fulfilled its stewardship responsibilities, (2) properly reflect and account for the receipt and disbursement of funds, (3) properly manage and safeguard assets, and (4) provide for the preparation of financial statements in accordance with generally accepted accounting principles.

In our review of the internal control structure, we noted that the certified public accountant (CPA) contracted by the board has the following responsibilities, which we believe does not adequately segregate the duties of this individual's function:

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Internal Control Report

May 22, 1996

Page 3

1. Prepare and maintain the general ledger.
2. Maintain the board's blank check stock.
3. Signature authority on the board's checking account.
4. Maintain facsimile signature stamps.
5. Affix required signatures on the checks.
6. Reconcile the checking account.
7. Prepare the board's semi-monthly payroll register.
8. Prepare the board's semi-monthly payroll checks.
9. Prepare federal and state withholding tax returns.
10. Prepare a portion of the board's non-payroll checks.
11. Prepare adjusting journal entries as needed.
12. Prepare the board's financial statements.

In addition, in our review of the board's financial records, it was noted that approximately 600 individual transactions were recorded by the CPA on journal entries without adequate documentation. The CPA recorded the journal entries without any type of journal entry document being prepared explaining the reason that the transaction was recorded. Without adequate documentation, an audit trail does not exist and the transaction cannot be evaluated for appropriateness to the operations of the board.

We noted that the board used receipts with duplicate receipt numbers to support a significant portion of its revenue generated during the period. Use of duplicate cash receipt numbers increases the risk that revenues will not be properly recorded. It also does not provide a clear audit trail that would allow each transaction to be properly evaluated with regard to the operations of the board. In addition, we were unable to reconcile the board's general ledger to the financial statements for the year ended June 30, 1995.

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Internal Control Report

May 22, 1996

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The board should establish internal control policies and procedures that provide for an adequate segregation of duties and maintain complete and adequately documented accounting records. In a letter dated May 23, 1996, Mr. Kemp Wright, Executive Director, responded that "In a meeting with representatives of the Legislative Auditor on April 23, 1996, it was mutually determined that the following steps could be taken to adequately segregate the duties of the board's Certified Public Accountant (CPA):

Rescind signature authority on the board's checking account.

Destroy all facsimile signature stamps.

Maintain the board's blank check stock at board office.

"The board's CPA was unaware of the states [sic] documentation requirements for journal entries. However, journal entries are prepared with journal entry documents attached to supporting documentation which explains the reason for the transaction.

"In January 1996, the board instituted a new system of receipting. All monies received needing to be receipted are scanned with an optical imaging system along with the corresponding deposit slip and stored according to date and deposit number. The new system eliminates the need for receipt books, thereby eliminating the possibility of duplicating receipt numbers.

"Regarding the reconciliation of the board's general ledger to the financial statements, the board has revised the financial statements for FYE June 30, 1995 to reconcile with the corresponding financial statements and will submit the financial statements to the Division of Administration and to the Office of the Legislative Auditor."

Payroll Overpayments

The Board of Examiners for Nursing Facility Administrators did not have an adequate internal control structure over its payroll function. A good internal control structure requires that adequate control procedures be in place to reduce the risk that payroll related errors and/or irregularities could occur and not be detected in a timely manner. During the past five and one-half years, a former employee received approximately \$15,000 of salary payments in excess of salary approvals by the board. This former employee was paid on a semi-monthly payroll period basis; however, the gross pay per payroll period continued to change for some undetermined reason. None of the other employees' pay changed in this manner, except for valid pay increases or adjustments. We were unable to determine a consistent pattern for the overpayments during the five

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Internal Control Report

May 22, 1996

Page 5

and one-half year period. The overpayments were not detected in a timely manner because the board had not adopted adequate controls that provided for proper board approval over salary increases, proper calculation of pay rates, appropriate supervisory review of payroll transactions, and proper supervisory review of payroll disbursements.

The board should strengthen its internal accounting controls over payroll rate changes. In addition, the board should seek restitution from the employee. In a letter dated May 23, 1996, Mr. Kemp Wright, Executive Director, responded that "On April 13, 1995, the board initially presented information to the Office of the Legislative Auditor that indicated that a former employee had apparently been overpaid and that the board was beginning an investigation. The overpayments were detected as a result of newly instituted accounting controls over payroll. The board was unable to calculate an accurate amount of overpayment and, subsequently, the Office of the Legislative Auditor assumed the investigation on June 22, 1995. The board was provided an approximate figure as to the overpayment on May 8, 1996.

"The board will continue to strengthen its internal controls over payroll rate changes and will seek restitution from the former employee. The board will rely on the Office of the Legislative Auditor to provide an exact amount of the overpayment."

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the matters relating to inadequate segregation of duties and accounting control weaknesses are material weaknesses as defined above.

These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the board's financial statements for the two years ended June 30, 1995.

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Internal Control Report

May 22, 1996

Page 6

This report is intended for the information and use of the board and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

MGT:MLD:dl

[NFA]

EXHIBIT A



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
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TELEPHONE: (504) 339-3800
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May 22, 1996

Independent Auditor's Report on Compliance With Laws and
Regulations Material to the General Purpose Financial Statements

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We were engaged to audit the general purpose financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators, a component unit of the State of Louisiana, as of June 30, 1995, and for the two years then ended, and have issued our report thereon dated May 22, 1996. Our report dated May 22, 1996, stated that because we were not able to satisfy ourselves as to the amounts included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements.

We were unable to audit the financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators because of the deficiencies in internal controls as discussed in Exhibit A of this report. Our audit was to have been conducted in accordance with generally accepted auditing standards and *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.

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

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of our tests of compliance disclosed the instance of noncompliance relating to nurse aides' certification card fees that may be material to the general purpose financial statements but for which the ultimate resolution cannot

EXHIBIT B

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Compliance Report

May 22, 1996

Page 2

presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Louisiana Board of Examiners for Nursing Facility Administrators' 1995 financial statements. The remaining instances of noncompliance, although not material to the financial statements, are required to be reported herein under *Government Auditing Standards*.

Nurse Aides' Certification Card Fees

The Board of Examiners for Nursing Facility Administrators imposed a \$10 fee to certify nurse aides without statutory authority. The \$10 fee was to be used to defray the costs of issuing certification cards to certified nurse aides. State law does not address nurse aides; however, federal law 42 U.S.C. 1396r(e) requires that the state establish and maintain a registry of all individuals who have satisfactorily completed a nurse aide training and competency evaluation program. In addition, the law states that "a state may not impose any charges on a nurse aide relating to the registry."

During the year ended June 30, 1995, the board received \$103,476 from the Department of Health and Hospitals' Division of Health Services Financing through an interagency agreement to maintain the nurse aide registry. The total fees collected for the certification cards for the year ended June 30, 1995, was \$186,088 or 38 percent of total revenue reported for the year. The board cited as its authority Louisiana Revised Statute (LSA-R.S.) 37:2504, which enumerates the functions of the board over individuals who are nursing facility administrators. This statute does not empower the board with any authority over certified nurse aides or any authority to implement such fees. The fee was made effective December 1, 1994, through the adoption of an emergency rule as published in the October 1994, Louisiana Register. LSA-R.S. 49:968 also requires the board to submit a report of a fee increase to the House Committee on Health and Welfare and the Senate Committee on Health and Welfare prior to the adoption of the fee. No evidence was found that the board complied with this regulation. The board's executive director stated that the emergency rule cited may have been in error and that the fee was the result of discussions with the Department of Health and Hospitals. We question the board's authority to impose such a fee.

The board should pursue a legal opinion from the Attorney General as to the legality of the fee. Until that opinion is received, the board should discontinue collecting the fee for the certification cards for certified nurse aides. In a letter dated May 23, 1996, Mr. Kemp Wright, Executive Director, responded that "The board does not agree with the opinion issued in the audit findings, furthermore, the board maintains that it has statutory authority under LA R.S. 37:2504(C) to institute a charge for issuance of a card

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Compliance Report

May 22, 1996

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to certified nurse aides. The authority which was cited when the rule was published as an emergency rule, as a notice of intent, and as a rule, was not in error. The board is fully cognizant of 42 U.S.C. 1396r(e) and 42 CFR 483.156(b)(5) and it is the opinion of the board that offering a card or certificate to a certified nurse aide who is under no obligation to purchase such a card is not in conflict with federal law. The board does not assess a \$10 fee to certify nurse aides. Revenues received from the card sales are primarily used to further defray the costs of maintaining the nurse aide registry, as the registry has grown from approximately 20,000 certified nurse aides in 1990 to over 70,000 certified nurse aides in 1996.

"Adoption and implementation of the fee was properly approved by the board as is evident in the minutes of the regular quarterly meeting of the board on September 8, 1994. Reports of the fee implementation were submitted to both the House and Senate Committees on Health and Welfare on August 28, 1995, in accordance with the Administrative Procedures Act. (Receipts available)

"The board has requested a legal opinion from the Attorney General relative to all concerns expressed in the preliminary draft of your audit findings."

Additional Comments: Our research disclosed that the only law addressing "nurse aides" is federal law. Although the board contends that it has statutory authority under LSA-R.S. 37:2504(C) to institute a charge for the issuance of a card to certified nurse aides, it is our opinion that LSA-R.S. 37:2501-2511 relates to the board's statutory authority to issue licenses and registration certificates to individuals as nursing facility administrators. Therefore, we reaffirm our position that the board has no statutory authority to institute a charge for the issuance of a card to certified nurse aides.

State Sales and Use Taxes

During the two years ended June 30, 1995, the Louisiana Board of Examiners of Nursing Facility Administrators paid state sales and use taxes on purchases when the board was exempt from such taxes. LSA-R.S. 47:305.29 states that sales and use tax imposed by the state under LSA-R.S. 47:302 and 47:321 shall not apply to purchases by the state and any of its agencies and boards. During the two year period, the board paid a significant amount of state sales and use tax on purchases that were subject to taxes. We estimate the taxes paid exceeded \$9,500.

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Compliance Report

May 22, 1996

Page 4

The board should discontinue paying state sales and use tax on taxable purchases. Management of the board responded that "The board has discontinued paying state sales and use tax on taxable purchases. The board is also seeking reimbursement from certain suppliers who provided goods purchased through Division of Administration state contracted vendors."

Special Meals

The Board of Examiners for Nursing Facility Administrators did not comply with state travel regulations. The Office of the Governor, Division of Administration Policy and Procedures Memorandum 49 (PPM 49), the state's travel regulations, establishes guidelines for special meals. It states that all special meals must have prior approval from the commissioner of administration to be reimbursed, unless specific authority for approval has been delegated to a department head for a period not to exceed one fiscal year. Our examination disclosed 21 instances of the board incurring special meals amounting to approximately \$1,332. All the meals were incurred within the domicile of the board and in association with meetings between board members, employees, and/or board contractors. The recipients of these special meals included the executive director, the assistant executive director, the board's contracted attorney, the board's contracted certified public accountant, and the board's contracted consultant. The board employees were not entitled to the special meal provisions and the board contracts did not provide for the payment of such expenditures. In most instances, the meetings took place during the lunch hour. We found no evidence that the board had obtained the approval of the commissioner of administration.

The board should not incur special meals without the specific authorization of the commissioner of administration and should comply with all provisions of PPM 49. In a letter dated May 23, 1996, Mr. Kemp Wright, Executive Director responded that "Special meals are no longer incurred without the specific authorization of the commissioner of administration."

We considered these instances of noncompliance in forming our opinion on whether the board's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does affect our report dated May 22, 1996, which offers no assurance on those financial statements.

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Compliance Report

May 22, 1996

Page 5

This report is intended for the information and use of the board and its management. By provisions of state law, this report is a public document, and it has been distributed to the appropriate public officials.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

MGT:MLD:dl

[NFA]

EXHIBIT B

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Representative David Vitter

LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Two Years Ended June 30, 1995
With Supplemental Information Schedules**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

August 21, 1996

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Two Years Ended June 30, 1995
With Supplemental Information Schedule

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DANIEL G. KYLE, PH.D., CPA, CFE
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May 22, 1996

Independent Auditor's Report
on the Financial Statements

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We were engaged to audit the accompanying general purpose financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators, a component unit of the State of Louisiana, as of and for the two years ended June 30, 1995, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Louisiana Board of Examiners for Nursing Facility Administrators.

As explained in Exhibit A of this report, the board's accounting records were incomplete and contained major inadequacies. These inadequacies made it impractical to apply sufficient audit procedures to enable us to express an opinion on the fair presentation of the accompanying general purpose financial statements.

Because we were not able to apply sufficient auditing procedures to satisfy ourselves as to the amounts included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the general purpose financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 22, 1996, on our consideration of the board's internal control structure and a report dated May 22, 1996, on its compliance with laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

MGT:MLD:dl

[NFA]

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, June 30, 1995

	GOVERNMENTAL FUND - GENERAL FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$153,214		\$153,214
Accounts receivables - NSF checks	510		510
Due from other funds - DHH interagency transfers	49,641		49,641
Other assets - accrued interest	207		207
Fixed assets		\$84,116	84,116
TOTAL ASSETS AND OTHER DEBITS	\$203,572	\$84,116	\$287,688
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$12,966		\$12,966
Payroll deductions and withholdings payable	4,088		4,088
Due to other funds - retirement	5,706		5,706
Other liabilities - accrual vacation and payoff	18,877		18,877
Total Liabilities	41,637	NONE	41,637
Equity and Other Credits:			
Investment in general fixed assets		\$84,116	84,116
Fund balance - unreserved - undesignated	161,935		161,935
Total Equity and Other Credits	161,935	84,116	246,051
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	\$203,572	\$84,116	\$287,688

The accompanying notes are an integral part of this statement.

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Two Years Ended June 30, 1995

	<u>JUNE 30, 1995</u>	<u>JUNE 30, 1994</u>
REVENUES		
Licenses, permits, and fees	\$199,585	\$110,662
Use of money and property - interest earnings	3,398	3,307
Other	289,594	115,030
Total revenues	<u>492,577</u>	<u>228,999</u>
EXPENDITURES		
General government:		
Personal services and related benefits	164,122	124,155
Operating services	128,629	76,538
Materials and supplies	29,891	49,044
Travel and other charges	17,904	12,361
Capital outlay - fixed assets	38,877	
Total expenditures	<u>379,423</u>	<u>262,098</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	113,154	(33,099)
FUND BALANCE AT BEGINNING OF YEAR	<u>48,781</u>	<u>81,880</u>
FUND BALANCE AT END OF YEAR	<u><u>\$161,935</u></u>	<u><u>\$48,781</u></u>

The accompanying notes are an integral part of this statement.

UNAUDITED

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
GOVERNMENTAL FUND - GENERAL FUND**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget
(GAAP/Non-GAAP Basis) and Actual
For the Two Years Ended June 30, 1995**

	JUNE 30, 1995		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Revenues - Statement B	\$488,830	\$492,577	\$3,747
EXPENDITURES			
Expenditures - Statement B	411,437	379,423	32,014
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	77,393	113,154	35,761
FUND BALANCE AT BEGINNING OF YEAR	60,000	48,781	(11,219)
FUND BALANCE AT END OF YEAR	<u>\$137,393</u>	<u>\$161,935</u>	<u>\$24,542</u>

The accompanying notes are an integral part of this statement.

Statement C

JUNE 30, 1994		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>\$263,800</u>	<u>\$228,999</u>	<u>(\$34,801)</u>
<u>261,096</u>	<u>262,098</u>	<u>(1,002)</u>
2,704	(33,099)	(35,803)
<u>81,880</u>	<u>81,880</u>	<u>NONE</u>
<u><u>\$84,584</u></u>	<u><u>\$48,781</u></u>	<u><u>(\$35,803)</u></u>

UNAUDITED

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Notes to the Financial Statements
As and for the Two Years Ended June 30, 1995

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Examiners of the NFA Board is a component unit of the State of Louisiana created within the Louisiana Department of Health and Hospitals, as provided by Louisiana Revised Statute 37:2501. The board is composed of 13 members, appointed by the Governor who serve terms of various years. The board is charged with the responsibility of setting standards for nursing facility administrators, examining and licensing NFA's, setting standards of practice, and developing and maintaining federally mandated Certified Nurses Aide Registry. Operations of the board are funded with self-generated and interagency transfers from DHH.

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

The NFA Examiners Board prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying statements present only transactions of the NFA Examiners Board, a component unit of the State of Louisiana.

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

B. FUND ACCOUNTING

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

UNAUDITED

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

General Fund

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

Account Groups

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

C. BASIS OF ACCOUNTING

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

Revenues

Revenues for biennial re-registration are reported in the fiscal year in which they are used.

All other revenues are reported within the year received or accrued.

Expenditures

Expenditures are recognized and paid for during the fiscal year in which the obligations are incurred or accrued.

Other Financing Sources (Uses)

Interagency transfers from DHH to operate the CNA Registry are recognized and expensed during the fiscal year in which they are received or accrued.

D. GENERAL FIXED ASSETS

Fixed assets used in the governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds.

UNAUDITED

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Depreciation has not been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost.

The changes in general fixed assets follow:

	Furniture and Equipment
Balance, July 1, 1993	\$24,741
Additions	20,588
Deletions	(90)
Balance, June 30, 1994	\$45,239
Balance, July 1, 1994	\$44,969
Additions	39,147
Deletions	NONE
Balance, June 30, 1995	\$84,116

E. ENCUMBRANCES

The board does not use encumbrance accounting other than up to 300 hours of annual leave per full-time employee.

F. VACATION AND SICK LEAVE

The Examiners of the NFA Board has the following policy related to vacation and sick leave:

Vacation and sick leave are accumulated by classified and unclassified employees according to Civil Service regulations.

At June 30, 1995, employees of the board had accumulated and vested \$13,616 of employee leave benefits, which was computed in accordance with GASB Codification C60. Of this amount, \$13,616 is recorded as an obligation of the General Fund.

UNAUDITED

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

G. PENSION PLAN

Substantially all employees are members of the State Employees Retirement System or the Social Security System. In addition to the employee contribution withheld at 7.5 percent of gross salary, the state contributes an additional 11.9 percent and 7.65 percent of gross salary to the State Retirement and Social Security Systems, respectively. Contributions to the system are funded through employee and employer contributions of \$10,887 and \$15,775, respectively, for the year ended June 30, 1995, and \$8,399 and \$1,497, respectively, for the year ended June 30, 1994. The total current year payroll of the agency (all types of wages) was \$138,120, and its current year payroll covered by the retirement system(s) was \$111,087 for the year ended June 30, 1995, and total payroll of the agency was \$103,913 and its payroll covered by the retirement system(s) was \$88,790 for the year ended June 30, 1994. Under present statutes, the agency does not guarantee any of the benefits granted by the retirement system.

H. LEASES

Operating Leases

Nature of the Operating Leases	1995-96	1996-97	1997-98	1998-99
Office space	\$30,444	\$30,444	\$30,444	\$30,444
Copy machine	4,893	4,893	4,893	
Postage machine	3,593	3,593		
Total	\$38,930	\$38,930	\$35,337	\$30,444

Rental expense for operating leases with scheduled rent increases is based on the relevant lease agreement except in those cases where a temporary rent reduction is used as an inducement to enter the lease. In those instances, rental expense is determined on either a straight-line or interest basis over the term of the lease and not in accordance with lease terms as required by GASB Statement 13.

I. CASH AND CASH EQUIVALENTS

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

UNAUDITED

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
Notes to the Financial Statements (Concluded)

and in share accounts and share certificate accounts of federally or state chartered credit unions.

As reflected on Statement A, the Examiners of the NFA Board had cash and cash equivalents totaling \$153,064 at June 30, 1995. Cash and cash equivalents are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amounts on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at June 30, 1995, were secured as follows:

	Cash	Cash Equivalents		Total
		Certificates of Deposit	Money Markets	
Carrying amount on balance sheet	<u>\$62,718</u>	<u>\$50,000</u>	<u>\$40,346</u>	<u>\$153,064</u>
Bank balances: Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	<u>\$62,718</u>	<u>\$50,000</u>	<u>\$40,346</u>	<u>\$153,064</u>

J. DUE TO/FROM OTHER FUNDS

Individual fund type balances due to/from other funds at June 30, 1995, are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>
Department of Health and Hospitals	<u>\$49,641</u>

K. TOTAL COLUMNS ON STATEMENTS

The total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

UNAUDITED

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULE
For the Two Years Ended June 30, 1995**

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board members are paid \$50 for each board meeting they attend, as authorized by Louisiana Revised Statute 37:2503.

LOUISIANA BOARD OF EXAMINERS FOR
 NURSING FACILITY ADMINISTRATORS
 DEPARTMENT OF HEALTH AND HOSPITALS
 STATE OF LOUISIANA
 GENERAL FUND

Schedule of Per Diem Paid Board Members
 For the Two Years Ended June 30, 1995

	<u>JUNE 30, 1995</u>	<u>JUNE 30, 1994</u>
A. A. Kelley, Jr.	\$1,750	\$1,450
Ray Naquin	700	500
Robert Rimes	500	450
Harold Gamburg	550	650
Myron A. Walker, M.D.	100	250
Joe Donchess	200	300
John Matessino	1,450	450
Enrica Singleton	100	
Betty Adams	100	1,800
Joseph Hamrick	300	450
Maxine McCullough	650	600
Elizabeth Humphrey	650	600
	<u>650</u>	<u>600</u>
Total	<u>\$7,050</u>	<u>\$7,500</u>

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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1600 NORTH THIRD STREET
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May 22, 1996

Independent Auditor's Report on Internal Control Structure Based
Solely on an Audit of the General Purpose Financial Statements

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We were engaged to audit the general purpose financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators, a component unit of the State of Louisiana, as of June 30, 1995, and for the two years then ended, and have issued our report thereon dated May 22, 1996. Our report dated May 22, 1996, stated that because we were not able to satisfy ourselves as to the amounts included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements.

Our audit was to have been conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. However, because of the control weaknesses noted in this exhibit, we were not able to apply the foregoing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

EXHIBIT A

LEGISLATIVE AUDITOR

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Internal Control Report

May 22, 1996

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In planning and performing our audit of the general purpose financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators, for the two years ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such as opinion.

In our consideration of the internal control structure, we noted that the size of the board's operations precludes an adequate segregation of duties and other features of an adequate internal control structure, although to employ such controls may not be cost beneficial, which we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The results of our tests disclosed the following matters that we consider to be reportable conditions.

Accounting Control Weaknesses

For the second consecutive audit, the Louisiana Board of Examiners for Nursing Facility Administrators did not provide proper internal controls or maintain complete accounting records during the period under audit. A good internal control structure should provide for adequate segregation of duties so that no one individual would be in a position to both initiate and conceal errors and/or irregularities. In addition, a proper internal control structure requires that records be maintained that (1) provide evidence that the board has fulfilled its stewardship responsibilities, (2) properly reflect and account for the receipt and disbursement of funds, (3) properly manage and safeguard assets, and (4) provide for the preparation of financial statements in accordance with generally accepted accounting principles.

In our review of the internal control structure, we noted that the certified public accountant (CPA) contracted by the board has the following responsibilities, which we believe does not adequately segregate the duties of this individual's function:

LEGISLATIVE AUDITOR

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1. Prepare and maintain the general ledger.
2. Maintain the board's blank check stock.
3. Signature authority on the board's checking account.
4. Maintain facsimile signature stamps.
5. Affix required signatures on the checks.
6. Reconcile the checking account.
7. Prepare the board's semi-monthly payroll register.
8. Prepare the board's semi-monthly payroll checks.
9. Prepare federal and state withholding tax returns.
10. Prepare a portion of the board's non-payroll checks.
11. Prepare adjusting journal entries as needed.
12. Prepare the board's financial statements.

In addition, in our review of the board's financial records, it was noted that approximately 600 individual transactions were recorded by the CPA on journal entries without adequate documentation. The CPA recorded the journal entries without any type of journal entry document being prepared explaining the reason that the transaction was recorded. Without adequate documentation, an audit trail does not exist and the transaction cannot be evaluated for appropriateness to the operations of the board.

We noted that the board used receipts with duplicate receipt numbers to support a significant portion of its revenue generated during the period. Use of duplicate cash receipt numbers increases the risk that revenues will not be properly recorded. It also does not provide a clear audit trail that would allow each transaction to be properly evaluated with regard to the operations of the board. In addition, we were unable to reconcile the board's general ledger to the financial statements for the year ended June 30, 1995.

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
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The board should establish internal control policies and procedures that provide for an adequate segregation of duties and maintain complete and adequately documented accounting records. In a letter dated May 23, 1996, Mr. Kemp Wright, Executive Director, responded that "In a meeting with representatives of the Legislative Auditor on April 23, 1996, it was mutually determined that the following steps could be taken to adequately segregate the duties of the board's Certified Public Accountant (CPA):

Rescind signature authority on the board's checking account.

Destroy all facsimile signature stamps.

Maintain the board's blank check stock at board office.

"The board's CPA was unaware of the states [*sic*] documentation requirements for journal entries. However, journal entries are prepared with journal entry documents attached to supporting documentation which explains the reason for the transaction.

"In January 1996, the board instituted a new system of receipting. All monies received needing to be receipted are scanned with an optical imaging system along with the corresponding deposit slip and stored according to date and deposit number. The new system eliminates the need for receipt books, thereby eliminating the possibility of duplicating receipt numbers.

"Regarding the reconciliation of the board's general ledger to the financial statements, the board has revised the financial statements for FYE June 30, 1995 to reconcile with the corresponding financial statements and will submit the financial statements to the Division of Administration and to the Office of the Legislative Auditor."

Payroll Overpayments

The Board of Examiners for Nursing Facility Administrators did not have an adequate internal control structure over its payroll function. A good internal control structure requires that adequate control procedures be in place to reduce the risk that payroll related errors and/or irregularities could occur and not be detected in a timely manner. During the past five and one-half years, a former employee received approximately \$15,000 of salary payments in excess of salary approvals by the board. This former employee was paid on a semi-monthly payroll period basis; however, the gross pay per payroll period continued to change for some undetermined reason. None of the other employees' pay changed in this manner, except for valid pay increases or adjustments. We were unable to determine a consistent pattern for the overpayments during the five

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
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DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

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May 22, 1996

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and one-half year period. The overpayments were not detected in a timely manner because the board had not adopted adequate controls that provided for proper board approval over salary increases, proper calculation of pay rates, appropriate supervisory review of payroll transactions, and proper supervisory review of payroll disbursements.

The board should strengthen its internal accounting controls over payroll rate changes. In addition, the board should seek restitution from the employee. In a letter dated May 23, 1996, Mr. Kemp Wright, Executive Director, responded that "On April 13, 1995, the board initially presented information to the Office of the Legislative Auditor that indicated that a former employee had apparently been overpaid and that the board was beginning an investigation. The overpayments were detected as a result of newly instituted accounting controls over payroll. The board was unable to calculate an accurate amount of overpayment and, subsequently, the Office of the Legislative Auditor assumed the investigation on June 22, 1995. The board was provided an approximate figure as to the overpayment on May 8, 1996.

"The board will continue to strengthen its internal controls over payroll rate changes and will seek restitution from the former employee. The board will rely on the Office of the Legislative Auditor to provide an exact amount of the overpayment."

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the matters relating to inadequate segregation of duties and accounting control weaknesses are material weaknesses as defined above.

These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the board's financial statements for the two years ended June 30, 1995.

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Internal Control Report

May 22, 1996

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This report is intended for the information and use of the board and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

MGT:MLD:dl

[NFA]

EXHIBIT A



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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May 22, 1996

Independent Auditor's Report on Compliance With Laws and
Regulations Material to the General Purpose Financial Statements

**LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We were engaged to audit the general purpose financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators, a component unit of the State of Louisiana, as of June 30, 1995, and for the two years then ended, and have issued our report thereon dated May 22, 1996. Our report dated May 22, 1996, stated that because we were not able to satisfy ourselves as to the amounts included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements.

We were unable to audit the financial statements of the Louisiana Board of Examiners for Nursing Facility Administrators because of the deficiencies in internal controls as discussed in Exhibit A of this report. Our audit was to have been conducted in accordance with generally accepted auditing standards and *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.

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

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of our tests of compliance disclosed the instance of noncompliance relating to nurse aides' certification card fees that may be material to the general purpose financial statements but for which the ultimate resolution cannot

EXHIBIT B

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Compliance Report

May 22, 1996

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presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Louisiana Board of Examiners for Nursing Facility Administrators' 1995 financial statements. The remaining instances of noncompliance, although not material to the financial statements, are required to be reported herein under *Government Auditing Standards*.

Nurse Aides' Certification Card Fees

The Board of Examiners for Nursing Facility Administrators imposed a \$10 fee to certify nurse aides without statutory authority. The \$10 fee was to be used to defray the costs of issuing certification cards to certified nurse aides. State law does not address nurse aides; however, federal law 42 U.S.C. 1396r(e) requires that the state establish and maintain a registry of all individuals who have satisfactorily completed a nurse aide training and competency evaluation program. In addition, the law states that "a state may not impose any charges on a nurse aide relating to the registry."

During the year ended June 30, 1995, the board received \$103,476 from the Department of Health and Hospitals' Division of Health Services Financing through an interagency agreement to maintain the nurse aide registry. The total fees collected for the certification cards for the year ended June 30, 1995, was \$186,088 or 38 percent of total revenue reported for the year. The board cited as its authority Louisiana Revised Statute (LSA-R.S.) 37:2504, which enumerates the functions of the board over individuals who are nursing facility administrators. This statute does not empower the board with any authority over certified nurse aides or any authority to implement such fees. The fee was made effective December 1, 1994, through the adoption of an emergency rule as published in the October 1994, Louisiana Register. LSA-R.S. 49:968 also requires the board to submit a report of a fee increase to the House Committee on Health and Welfare and the Senate Committee on Health and Welfare prior to the adoption of the fee. No evidence was found that the board complied with this regulation. The board's executive director stated that the emergency rule cited may have been in error and that the fee was the result of discussions with the Department of Health and Hospitals. We question the board's authority to impose such a fee.

The board should pursue a legal opinion from the Attorney General as to the legality of the fee. Until that opinion is received, the board should discontinue collecting the fee for the certification cards for certified nurse aides. In a letter dated May 23, 1996, Mr. Kemp Wright, Executive Director, responded that "The board does not agree with the opinion issued in the audit findings, furthermore, the board maintains that it has statutory authority under LA R.S. 37:2504(C) to institute a charge for issuance of a card

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
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to certified nurse aides. The authority which was cited when the rule was published as an emergency rule, as a notice of intent, and as a rule, was not in error. The board is fully cognizant of 42 U.S.C. 1396r(e) and 42 CFR 483.156(b)(5) and it is the opinion of the board that offering a card or certificate to a certified nurse aide who is under no obligation to purchase such a card is not in conflict with federal law. The board does not assess a \$10 fee to certify nurse aides. Revenues received from the card sales are primarily used to further defray the costs of maintaining the nurse aide registry, as the registry has grown from approximately 20,000 certified nurse aides in 1990 to over 70,000 certified nurse aides in 1996.

"Adoption and implementation of the fee was properly approved by the board as is evident in the minutes of the regular quarterly meeting of the board on September 8, 1994. Reports of the fee implementation were submitted to both the House and Senate Committees on Health and Welfare on August 28, 1995, in accordance with the Administrative Procedures Act. (Receipts available)

"The board has requested a legal opinion from the Attorney General relative to all concerns expressed in the preliminary draft of your audit findings."

Additional Comments: Our research disclosed that the only law addressing "nurse aides" is federal law. Although the board contends that it has statutory authority under LSA-R.S. 37:2504(C) to institute a charge for the issuance of a card to certified nurse aides, it is our opinion that LSA-R.S. 37:2501-2511 relates to the board's statutory authority to issue licenses and registration certificates to individuals as nursing facility administrators. Therefore, we reaffirm our position that the board has no statutory authority to institute a charge for the issuance of a card to certified nurse aides.

State Sales and Use Taxes

During the two years ended June 30, 1995, the Louisiana Board of Examiners of Nursing Facility Administrators paid state sales and use taxes on purchases when the board was exempt from such taxes. LSA-R.S. 47:305.29 states that sales and use tax imposed by the state under LSA-R.S. 47:302 and 47:321 shall not apply to purchases by the state and any of its agencies and boards. During the two year period, the board paid a significant amount of state sales and use tax on purchases that were subject to taxes. We estimate the taxes paid exceeded \$9,500.

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
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DEPARTMENT OF HEALTH AND HOSPITALS
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May 22, 1996

Page 4

The board should discontinue paying state sales and use tax on taxable purchases. Management of the board responded that "The board has discontinued paying state sales and use tax on taxable purchases. The board is also seeking reimbursement from certain suppliers who provided goods purchased through Division of Administration state contracted vendors."

Special Meals

The Board of Examiners for Nursing Facility Administrators did not comply with state travel regulations. The Office of the Governor, Division of Administration Policy and Procedures Memorandum 49 (PPM 49), the state's travel regulations, establishes guidelines for special meals. It states that all special meals must have prior approval from the commissioner of administration to be reimbursed, unless specific authority for approval has been delegated to a department head for a period not to exceed one fiscal year. Our examination disclosed 21 instances of the board incurring special meals amounting to approximately \$1,332. All the meals were incurred within the domicile of the board and in association with meetings between board members, employees, and/or board contractors. The recipients of these special meals included the executive director, the assistant executive director, the board's contracted attorney, the board's contracted certified public accountant, and the board's contracted consultant. The board employees were not entitled to the special meal provisions and the board contracts did not provide for the payment of such expenditures. In most instances, the meetings took place during the lunch hour. We found no evidence that the board had obtained the approval of the commissioner of administration.

The board should not incur special meals without the specific authorization of the commissioner of administration and should comply with all provisions of PPM 49. In a letter dated May 23, 1996, Mr. Kemp Wright, Executive Director responded that "Special meals are no longer incurred without the specific authorization of the commissioner of administration."

We considered these instances of noncompliance in forming our opinion on whether the board's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does affect our report dated May 22, 1996, which offers no assurance on those financial statements.

LEGISLATIVE AUDITOR

LOUISIANA BOARD OF EXAMINERS FOR
NURSING FACILITY ADMINISTRATORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Compliance Report

May 22, 1996

Page 5

This report is intended for the information and use of the board and its management. By provisions of state law, this report is a public document, and it has been distributed to the appropriate public officials.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

MGT:MLD:dl

[NFA]

EXHIBIT B