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**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

**Tax Collector Agency Fund**  
**Financial Statements**

**June 30, 1988 and 1987**

**(With Independent Auditors' Report Thereon)**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or receiving, and by and other appropriate public officials. The report is available for public inspection at the State Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Legis. Auditor \_\_\_\_\_  
June 1, 1988

**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

**Tax Collector Agency Fund**

**Financial Statements**

**June 30, 1998 and 1997**

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**Independent Auditors' Report**

The Honorable Donald E. Hathaway  
Caddo Parish Sheriff and Ex-Officio  
Parish Tax Collector  
Monroe, 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, 1998 and 1997, 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in note 1, 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. Also, as described in note 1, the accompanying financial statements have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from each transaction of the Tax Collector Agency Fund of the Caddo Parish Sheriff as of June 30, 1998 and 1997, and the collections, distributions, and unutilized balances of the Tax Collector Agency Fund of the Caddo Parish Sheriff for the years then ended, on the basis of accounting described in note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 1998, 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.

*KPMG Peat Marwick LLP*

September 23, 1998

**CALDO PARISH STERILE**  
Monroeport, Louisiana

**Tax Collector Agency Fund**

**Statement of Assets and Liabilities Arising from Cash Transactions**

**June 30, 1998 and 1997**

		<u>1998</u>	<u>1997</u>
	<b>Assets</b>		
Cash		\$ <u>600,000</u>	<u>1,114,882</u>
	<b>Liabilities</b>		
Unsettled balances due to taxing bodies and others		\$ <u>600,000</u>	<u>1,114,882</u>

See accompanying notes to financial statements.

**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

Tax Collector Agency Fund

Statement of Collections, Distributions, and Unsettled Balances

Year ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Unsettled balances due to taxing bodies and others, at beginning of year	\$ 1,194,882	2,302,858
<b>Collections:</b>		
Ad valorem taxes	114,721,346	88,421,315
State revenue sharing	5,073,348	5,087,435
Sporting licenses	420,880	420,748
Interest income on demand deposits	224,114	226,113
Refunds and reimbursements	1,280,389	759,245
Miscellaneous costs	9,678	79,852
Total collections	<u>121,650,544</u>	<u>94,964,663</u>
<b>Distributions:</b>		
Louisiana Tax Commission	21,064	41,317
Louisiana Department of Treasury	353,795	346,587
Louisiana Department of Agriculture and Forestry	24,495	24,910
Louisiana Department of Wildlife and Fisheries	384,431	309,934
Caddo Parish:		
Commission	24,297,516	23,977,825
School Board	62,799,860	59,798,125
Sheriff	12,138,387	12,283,822
Assessor	1,979,956	1,832,684
Waterworks districts	33,481	37,187
Sewerage districts	193,153	195,280
Fire protection districts	2,832,184	2,854,603
Hospital district	170,150	164,350
Lewis district	15,379	18,674
Shreve Memorial Library	1,806,117	1,888,871
Clerk of Court	14,458	-
Red Cross Waterway Commission	2,134,498	2,131,181
Caddo Parish Fair Commission	4,789,247	4,732,719
Pension funds	1,351,426	1,638,185
Refunds and reimbursements	1,737,080	1,811,958
Total distributions	<u>122,287,821</u>	<u>97,942,171</u>
Unsettled balances due to taxing bodies and others, at end of year	\$ 660,959	1,134,882

See accompanying notes to financial statements.

**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

**Tax Collector Agency Fund**

**Notes to Financial Statements**

**June 30, 1988 and 1987**

**(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 sealing, leasing, and trapping licenses.

**(A) Reporting Entity**

Louisiana Revised Statute 24:512(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. 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 uncollected balances due various taxing bodies and others. The accompanying financial statements have been prepared on the cash basis of accounting, with collections recognized when received and distributions reflected when paid. As such, the accompanying financial statements do not reflect any accrued receivables or payables associated with tax collection activities.

**(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 and Cash Equivalents**

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

**CADDO PARISH SHERIFF**

Shreveport, Louisiana

**Tax Collector Agency Fund****Notes to Financial Statements****June 30, 1998 and 1997**

federally sponsored U.S. government agencies; these 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, 1998 and 1997, the carrying amount of the Tax Collector's deposits was \$60,839 and \$1,154,882, respectively. The bank balance was \$704,743 and \$1,238,615 for 1998 and 1997, respectively. The difference in the balances for each year is due to outstanding checks.

The credit balance of the Tax Collector's deposits were in interest-bearing accounts at year end. These deposits, representing uncollected tax collections, are insured through Federal deposit insurance and the pledge of bank-owned securities held in custodial banks in the name of the Tax Collector.

**(3) State Revenue Sharing Funds**

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

	<u>1998</u>	<u>1997</u>
<b>Caddo Parish:</b>		
Assessor	\$ 185,382	185,008
Commission	1,160,673	1,156,243
School Board	2,081,928	1,989,213
Mayor	921,813	911,379
Waterworks districts	683	678
Sewerage districts	3,388	3,318
Fire protection districts	103,858	101,804
Shreve Memorial Library	428,078	427,998
Louis district	28,190	18,457
Red River Waterway Commission	118,295	117,898
Prothonotary	183,598	206,903
	<u>\$ 3,073,798</u>	<u>3,087,707</u>
<b>Total</b>	<b>\$ 3,073,798</b>	<b>3,087,707</b>

At June 30, 1993, \$9,728 is included in the uncollected balance due to a March 1997 revenue sharing payment to the Caddo Levee District that was distributed in September 1997.

**CADDO PARISH SHERIFF**  
Shreveport, Louisiana

**Tax Collector Agency Fund**

**Notes to Financial Statements**

**June 30, 1998 and 1997**

**(4) Protest Taxes**

Louisiana Revised Statute 47:2118 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 annual rate earned on the money paid under protest. From the date the funds were received by the Tax Collector, at June 30, 1998 and 1997, the Tax Collector held \$247,982 and \$398,987, respectively, in protest taxes.

**(5) Year 2000 Computer Issues (Unaudited)**

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. The Tax Collector'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 that could affect services. The Tax Collector believes that with modifications to existing software and conversions to new software, the Year 2000 issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 issue could have a material impact on the operations of the Tax Collector.

The Tax Collector has initiated the process of preparing its computer systems and applications for the year 2000. The Tax Collector expects to incur internal staff costs as well as external consulting and other expenses to prepare the systems for the year 2000. However, there can be no assurance that the systems of vendors or other governmental agencies, on which the Tax Collector's systems rely, will be timely converted or that any such failure to convert by another company or governmental entity would not have an adverse effect on the Tax Collector's systems.



800 Deposit Guaranty Tower  
200 Canal Street  
Shreveport, LA 71201-0001

**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. Harbaway  
Cade Parish Sheriff and Ex-Officio  
Parish Tax Collector  
Shreveport, Louisiana

We have audited the financial statements of the Tax Collector Agency Fund of the Cade Parish Sheriff as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated September 23, 1998, which included a paragraph describing that the financial statements were prepared on the cash receipts and disbursements basis. 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'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 these 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Tax Collector'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 that we have reported to the Sheriff in a separate letter dated September 23, 1998.

This report is intended for the information of the Cade Parish Tax Collector's management, the State of Louisiana Legislative Audit, and federal auditing agencies. However, this report is a matter of public record and its distribution is not limited.

*KPMG Peat Marwick LLP*

September 23, 1998

2500 Capitol Square North  
200 West Street  
Shreveport, LA 71201-2000

September 23, 1998

**CONFIDENTIAL**

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

We have audited the financial statements of the Cade Parish Sheriff, Cade Correctional Center, and Tax Collector - Agency Fund (the "Sheriff") as of and for the year ended June 30, 1998, and have issued our reports thereon dated September 23, 1998. 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 COMPLIANCE**

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 that could affect services. The Sheriff believes that with modifications to existing software and investments in new software, the Year 2000 issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 issue could have a material impact on the operations of the Sheriff.

The Sheriff has initiated the process of preparing its computer systems and applications for the year 2000. The Sheriff expects to incur internal staff costs as well as external consulting and other expenses to prepare the systems for the year 2000.

We recommend the Sheriff continue to work on evaluating their critical systems which should include your internal systems as well as those third party vendors or governmental agencies that the Sheriff depends upon. The Sheriff is dependent on the State of Louisiana, the Sales and Use Tax Office, and the Caddo Parish Commission for a significant portion of its funding. Some of this funding is electronically transferred therefore it could be affected if these agencies are not Year 2000 compliant. There can be no assurance that the systems of other entities on which you rely will be timely assessed or that failure to correct would not have a material adverse effect on the Sheriff.

Due to the timing of this critical issue, we recommend that a committee be assigned this complex problem. This committee should have representation from all departments. The committee should address the mission critical systems, assess the status of current compliance as well as the contingency plans that should be developed if compliance is uncertain. In addition, testing of modifications and conversion for Year 2000 compliance should be conducted. Reporting to the Sheriff should be on a monthly basis until January 1, 2000.

The Year 2000 initiative among other things should include:

- Project sponsorship
- Project budget
- Project management
- Estimated completion date
- Quality assurance plan
- Testing plans for every system in use within the Sheriff's Office
- Contingency plans for critical systems

Our discussions, which included limited inquiries in connection with the Year 2000 issue, were not designed to, and do not provide any assurance that the Year 2000 issues which may exist have been identified, or the adequacy of the Sheriff's remediation plans related to the Year 2000 financial or operational issues or whether the Sheriff is or will become Year 2000 compliant. Year 2000 compliance is the responsibility of the Sheriff and management.

**CADDO PARISH SHERIFF**  
**SHERIFF SALE AGENCY FUND**

**Observation** — The Civil Department's computer system allows individuals to change the description each on auto payments giving the appearance the amount was never paid.

**Recommendation and Benefit** — Controls should be implemented to prevent changes to the description codes in the computer system. Also, we recommend that on a monthly basis, management prepare and reconcile a cash roll forward of all the agency funds to help ensure that proper entries are being reflected in the agency fund activity.

#### INTERNAL CONTROLS - PERSONNEL

**Observation** — During our payroll internal control research, we were unable to obtain supporting payroll documentation for 7 of the 10 individuals selected for research. The missing documentation consisted of forms supporting deferred compensation, health, dental, disability, life insurance, cash union, and YMCA dues deductions. The client was unable to locate these forms due to the paperwork having been destroyed or misfiled.

**Recommendation and Benefit** — We recommend the personnel department implement controls to ensure that all payroll deduction paperwork is properly filed and retained. This will help provide support in the event there are questions or disputes regarding employee payroll deduction amounts.

#### TAX COLLECTOR

##### TAX SOFTWARE

**Observation** — As noted in the prior year management letter, the tax software program has programming errors that prevent the financial statements from being generated properly. One of the primary problems that continues to be identified is that the system converts the Tax Collector to an accrual basis, which results in Accounting Department personnel having to make manual adjustments to convert the general ledger to the cash basis.

**Recommendation and Benefit** — We recommend the Tax Collector's office and the Accounting Department work closely with the programmers to correct the problems. This should help ensure that proper financial information is created on a more timely and accurate basis.

#### PERFORMANCE INDICATORS

**Observation** — We noted that the Tax Collector's office does not regularly use any performance indicators to track the progress of billings, collections, and distributions.

The Honorable Sheriff Donald E. Hinesway  
Caddo Parish Sheriff  
September 13, 1998  
Page 4

**Recommendation and Benefit** — It is recommended that the Tax Collector develop performance indicators that can be reviewed and sustained on a periodic basis. Information of this type will allow management to develop more accurate expectations of billing, collection, and distribution activity as well as serving as an additional control which can identify unanticipated fluctuations.

\* \* \* \* \*

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 also, however, to our own 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. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

*RPMc Kent Marwick LLP*



Chief Criminal Deputy  
D. Alan Adams  
(504) 413-0204

# Don Hathaway

Sherriff and Co. Office Tax Collector  
Public Funds - Controller  
501 Texas St. Room 601  
Baton Rouge, Louisiana 70801-5400  
(504) 423-6000 FAX (504) 209-0200  
WWW.SOC.TX www.socdonhathaway.org

Assistant Chief Deputy  
Alan M. 1986  
Baton Rouge  
(504) 427-2004  
Michael M. Nelson  
Greenville  
(504) 427-6076  
Marvin E. Williams, Jr.  
Baton Rouge  
(504) 427-6004

December 18, 1998

Mr. David 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 auditor's comments in the management letter dated September 23, 1998, the matters noted have been addressed as follows:

#### Year 2000 Computer Issues

The Sheriff's Office has designated a committee of management members to address any potential problems for Year 2000. Periodic meetings will be conducted and documented to track the issues and progress toward completion.

#### Sheriff Sale Agency Fund

New software is being written for the Sheriff Sale, Garnishment, and Fines and Bonds Agency Funds, to prepare for Year 2000 and concurrently correct security issues and controls needed to improve these systems. A cash roll forward will be prepared for these agency funds to ensure transactions are reflected accurately.

#### Internal Control - Personnel

To maintain accurate documentation for payroll deductions, the personnel, payroll, and data processing departments will work together to prepare an employee deduction approval form to be signed by each employee at the beginning of the calendar year. This form will be placed in the employee's personnel file as verification for payroll deductions and updated as changes occur.

#### Tax Collection

The Tax Collection financial statements have been maintained through Microsoft's Excel spreads, but we will convert the maintenance financial statement and general ledger programs to reflect cash basis transactions, restructure the chart of accounts, and create the appropriate consolidated financial statements. Reports will also be designed, maintained, and analyzed for

management and working purposes to track performance in collections, disbursements, and billing.

Please contact us should you have other questions or requests.

Sincerely,

DON HATHAWAY, SHERIFF



Beverly Steiner  
Comptroller

Cc: Sheriff Don Hathaway  
Asst. Chief Marshal Williams