

Honorable David A. Naquin
Internal Control Report
Page Three

Recommendation:

There should be a segregation of duties within the function of accounting for sports licenses in order to insure good internal control.

Response:

Adequate segregation of duties have been implemented.

Inadequate Fidelity Bond Insurance Coverage

Finding:

The sheriff currently maintains fidelity bond insurance coverage on employees in the amount of \$20,000 with a \$1,000 deductible. This amount is inadequate.

Recommendation:

In view of the large amount of funds handled by employees who work in the tax collection department, the amount of fidelity bond insurance should be increased to higher levels in order to safeguard assets.

Response:

We are currently looking into increasing our fidelity bonds insurance coverage and will implement this recommendation.

A material weakness is a reportable condition in which the design or operation of one or more of the 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 financial statements being audited may occur and not be detected within a related 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 reportable conditions described above are material weaknesses.

Honorable David A. Naquin
Internal Control Report
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Our comments on internal control structure are intended for the information and use of the sheriff and management of his office. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Guidry & Chauvin
Certified Public Accountants

Franklin, Louisiana
October 28, 1997

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Independent Auditor's Report on Compliance
Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards

Honorable David A. Naquin
St. Mary Parish Sheriff and
Ex-Officio Parish Tax Collector
Franklin, Louisiana

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Tax Collector Agency Fund of the St. Mary Parish Sheriff as of May 31, 1997, and the related statement of collections, distributions, and unsettled balances for the period from June 1, 1996, through May 31, 1997, and have issued our report thereon dated October 28, 1997.

We conducted our audit 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 and regulations applicable to the St. Mary Parish Sheriff's Tax Collector Agency Fund is the responsibility of the sheriff's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Sheriff's compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following instances of noncompliance.

Honorable David A. Naquin
Report on Compliance
Page Two

Audit Report Not Timely Filed

Finding:

The audit report of the St. Mary Parish Tax Collector Fund is required to be filed with the Legislative Auditors office within six (6) months of their year end. Due to the shortage in the sports license account, an additional one (1) month extension of time was requested and granted.

Recommendation:

The audit report should be filed with the Legislative Auditors office within six (6) months of their year end.

Response:

Audit reports will be timely filed in the future.

We considered this instance of noncompliance in forming our opinion on whether the St. Mary Parish Sheriff's Tax Collector Agency Fund financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated October 28, 1997, on those financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the St. Mary Parish Sheriff's Tax Collector Agency Fund complied, in all material respects, with the provisions referred to in the third paragraph of this report; and, with respect to items not tested, nothing came to our attention that caused us to believe that the St. Mary Parish Sheriff's Tax Collector Agency Fund had not complied, in all material respects, with those provisions.

Our comments on compliance with laws and regulations are intended for the information and use of the sheriff and management of his office. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Guidry & Chauvin

Certified Public Accountants

Franklin, Louisiana
October 28, 1997

Honorable David A. Naquin
Internal Control Report
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permit the preparation of 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 the 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures into the following categories:

Tax Collections
Tax Distributions

For all of the internal control structure categories listed previously, 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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions 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 organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

Inadequate Segregation of Accounting Functions

Finding:

The function of accounting for sports licenses was the sole responsibility of one employee. The employee was able to account for sports licenses with the Louisiana Department of Wildlife and Fisheries, to collect funds and make deposits, disburse funds and reconcile bank accounts without supervision. Because functions were not segregated, the system failed to adequately safeguard assets, resulting in a shortage of funds.

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Independent Auditors Report on Internal Control
Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards

Honorable David A. Naquin
St. Mary Parish Sheriff and
Ex-officio Parish Tax Collector
Franklin, Louisiana

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Tax Collector Agency Fund of the St. Mary Parish Sheriff as of May 31, 1997, and the related statement of collections, distributions, and unsettled balances for the period from June 1, 1996, through May 31, 1997, and have issued our report thereon dated October 28, 1997.

We conducted our audit 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.

In planning and performing our audit of the financial statements of the St. Mary Parish Sheriff used in the tax collection and distribution process for the period from June 1, 1996, through May 31, 1997, we considered its internal control structure 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 structure.

The management of the St. Mary Parish Sheriff's Tax Collector Agency Fund 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

INDEPENDENT AUDITOR'S REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following independent auditor's reports on internal control structure and compliance with laws and regulations are required by Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

ST. MARY PARISH SHERIFF
Franklin, Louisiana
TAX COLLECTOR AGENCY FUND

Notes to the Financial Statements (cont.)

6. LITIGATION AND CLAIMS

There currently exist a claim by the Louisiana Department of Wildlife and Fisheries in the amount of \$79,380.30 for licenses in prior years. In the opinion of the sheriff's legal council, the claim is without merit and will be defended if a lawsuit is filed. Therefore, no provision for any liability has been made in the financial statements.

ST. MARY PARISH SHERIFF
Franklin, Louisiana
TAX COLLECTOR AGENCY FUND

Notes to the Financial Statements (cont.)

4. STATE REVENUE SHARING FUNDS

The revenue sharing funds provided by Act 38 of 1996 were distributed as follows:

Atchafalaya Basin Levee District	\$ 1,790
St. Mary Parish:	
Council	106,208
Library	58,039
School Board	465,489
Hospital Districts	72,935
Waterworks Districts	29,378
Drainage Districts	123,441
Harbor and Terminal Districts	82,950
Sheriff	184,306
Assessment District	61,677
Pension Funds	<u>36,414</u>
Total	<u>\$1,222,627</u>

5. TAXES PAID UNDER PROTEST

Louisiana Revised Statute 47:1576 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 is segregated and held by the tax collector for a period of 30 days. If suit is filed within this 30-day period, the funds are held pending outcome of the suit. If the taxpayer prevails, the tax collector refunds the amount due with interest at the rate of 2 per cent per annum from the date the funds were received by the tax collector. The following is a summary of the transactions relating to protested taxes:

Year Ended	Balance 05-31-96	<u>Additions</u> 1996 <u>Protested Taxes</u>	<u>1996</u> <u>Interest Earned</u>	<u>Deductions</u> 1996 <u>Protested Taxes</u>	<u>1996</u> <u>Interest</u>	Balance 05-31-97
1989	19,418	-	513	-	-	19,931
1990	1,293	-	34	-	-	1,327
1993	2,922	-	108	-	-	3,030
1994	255,831	-	9,024	-	-	264,855
1995	294,570	-	10,756	-	-	305,326
1996	-	<u>272,127</u>	<u>2,503</u>	<u>4,737</u>	<u>23</u>	<u>269,870</u>
	<u>\$574,034</u>	<u>\$ 272,127</u>	<u>\$22,938</u>	<u>\$ 4,737</u>	<u>\$ 23</u>	<u>\$864,339</u>

ST. MARY PARISH SHERIFF
Franklin, Louisiana
TAX COLLECTOR AGENCY FUND

Notes to the Financial Statements (cont.)

C. CASH AND CASH EQUIVALENTS

State law authorizes the sheriff to deposit tax collections in a bank domiciled in the parish where the funds are collected. Furthermore, the sheriff may invest these deposits in certificates of deposit or other investments permitted by law.

2. CASH

At May 31, 1997, the sheriff has cash (book balances) totaling \$996,777 as follows:

Interest bearing demand deposits	\$ 996,777
Total	<u>\$ 996,777</u>

These deposits are stated at cost, which approximates market. At May 31, 1997, the sheriff has \$1,035,634, (collected bank balances) on deposit with local financial institutions in interest bearing demand accounts. Of this amount, \$271,295 is secured by federal deposit insurance, and \$764,339 is covered by the pledge of bank-owned securities (market value) held in custodial banks in the name of the sheriff (GASB Category 3).

3. DUE FROM GENERAL FUND

At May 31, 1997, the General Fund owed the fund \$28,039.00 resulting from a shortage in the sports license accounts. During the year it was discovered that an employee embezzled funds during the current and prior years. The employee was arrested and plead guilty to charges brought by the District Attorney. At a restitution hearing held, the individual was ordered by the 16th District Judicial Court to make full restitution to the Louisiana Department of Wildlife and Fisheries and the St. Mary Parish Sheriff.

ST. MARY PARISH SHERIFF
Franklin, Louisiana
TAX COLLECTOR AGENCY FUND

Notes to the Financial Statements
For the Year Ended May 31, 1997

INTRODUCTION

As provided by Article V, Section 27 of the Louisiana Constitution of 1974, the sheriff is the ex-officio tax collector of the parish and is responsible for collecting and distributing ad valorem property taxes, parish occupational licenses, state revenue sharing funds, and sporting licenses.

The sheriff and ex-officio parish tax collector's office is located in the St. Mary Parish Courthouse in Franklin, Louisiana. The sheriff employs 90 employees, including 6 deputies, in the tax department, whose responsibilities include the mailing of property tax notices to and the collection of ad valorem property taxes from individuals, businesses, et cetera, who own real or movable property, subject to ad valorem taxation in the parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accounts of the parish tax collector are established to reflect the collections imposed by law, distributions pursuant to such law, and unsettled balances due various taxing bodies and others. 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 the receivables and related payables associated with tax collection activities.

B. REPORTING ENTITY

Louisiana Revised Statute 24:513 (K)(1)(b) requires that the accounts of each parish tax collector be audited annually. Accordingly, the accompanying financial statements reflect financial activity of the sheriff relating only to his responsibility as ex-officio parish tax collector. Amounts included in these financial statements are also included in the sheriff's annual general purpose financial statements.

ST. MARY PARISH SHERIFF
Franklin, Louisiana
TAX COLLECTOR AGENCY FUND

Statement of Collections, Distributions
and Unsettled Balances
For the Year Ended May 31, 1997

UNSETTLED BALANCES, June 1, 1996	<u>\$ 1,011,459</u>
COLLECTIONS	
Ad valorem taxes	20,282,793
State revenue sharing (Note 3)	1,222,627
Sporting licenses	242,692
Parish Occupational licenses	327,955
Interest earned on:	
Delinquent taxes	15,815
Deposit of taxes, licenses, etc.	32,510
Deposit of taxes paid under protest	22,915
Tax notices, etc.	<u>7,251</u>
Total Collections	<u>22,154,558</u>
Total	<u>23,166,017</u>
DISTRIBUTIONS	
Louisiana Department of Wildlife and Fisheries	208,094
Atchafalaya Basin Levee District	39,526
Timberland Fire District	6,509
Louisiana Tax Commission	6,076
St. Mary Parish:	
Council	2,858,167
School Board	8,609,148
Drainage Districts	1,344,286
Waterworks Districts	938,061
Hospital Districts	1,663,987
Recreation Districts	813,128
Fire Protection Districts	461,263
Sewerage Districts	1,118,177
Harbor and Terminal Districts	854,177
Mosquito Control District No. 1	35,198
Sheriff	2,509,700
Assessment Districts	639,288
Pension Funds	<u>36,416</u>
Total Distributions	<u>22,141,201</u>
UNSETTLED BALANCES AT May 31, 1997, DUE TO TAXING BODIES AND OTHERS	<u>\$ 1,024,816</u>

ST. MARY PARISH SHERIFF
Franklin, Louisiana
TAX COLLECTOR AGENCY FUND

Statement of Assets and Liabilities
Arising from Cash Transactions
May 31, 1997

ASSETS

Cash	\$ 996,777
Due from General Fund	<u>28,039</u>
TOTAL ASSETS	<u>\$1,024,816</u>

LIABILITIES

Due to taxing bodies and others	<u>\$1,024,816</u>
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The accompanying notes are an integral part of this statement.

Independent Auditor's Report
Honorable David A. Naquin
Page Two

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Tax Collector Agency Fund for the period from June 1, 1996 through May 31, 1997, on the cash basis of accounting described in note 1.

In accordance with LSA-R.S. 24:516, our report is intended for the information and use of the sheriff and management of his office and should be used solely as intended by the foregoing statute. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Guidry & Chauvin

Certified Public Accountants

Franklin, Louisiana
October 28, 1997

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ST. MARY PARISH SHERIFF
(As Ex-Officio Parish Tax Collector)
Franklin, Louisiana

Financial Statements

For the Year Ended May 31, 1997

3181

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**ST. MARY PARISH SHERIFF
(As Ex-Officio Parish Tax Collector)
Franklin, Louisiana**

Financial Statements

For the Year Ended May 31, 1997

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

Release Date **FEB 17 1998**

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