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Twenty-Second Judicial District's
Indigent Defender Board

Independent Auditor's Report and
Report on Compliance and Internal Control

Covington, LA
For the Year ended December 31, 1998

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 NOV 01 1998



MALCOLM M. DIENES AND COMPANY
Certified Public Accountants

Malcolm M. Dienes, C.P.A. (1905-1994)
Jack D. Dienes, C.P.A.*

Donald J. Fonteuberta, C.P.A.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Twenty-Second Judicial District
Indigent Defender Board
639 Theard Street
Covington, LA 70453

We have audited the accompanying combined balance sheet of Twenty-Second Judicial District Indigent Defender Board (the Board) as of December 31, 1998 and the related statement of combined revenues, expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Twenty-Second Judicial District Indigent Defender Board as of December 31, 1998 and results of operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 1999 on our consideration of Twenty-Second Judicial District Indigent Defender Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of Twenty-Second Judicial District Indigent Defender Board taken as a whole. The accompanying schedule of findings and other supplementary information is presented for purposes of additional analysis as required by the Louisiana Office of the Legislative Auditor and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Malcolm M. Dienes and Company

Malcolm M. Dienes VCo.

April 22, 1999

Twenty-Second Judicial District Indigent Defender Board

Combined Balance Sheets - All Fund Types and Account Group

December 31, 1998

	<u>General Fund</u>	<u>Special Revenue Grant Fund</u>	<u>General Fixed Asset Account Group</u>	<u>Total (Memo Only)</u>
<u>Assets</u>				
Current:				
Cash - Checking	\$ 26,823	\$ 224,580	-	\$ 251,403
Cash - Savings	387,358	-	-	387,358
Court Fees Receivable	133,689	-	-	133,689
Probation Fees Receivable (net of allowance for uncollectible fees of \$625,897)	66,061	-	-	66,061
Prepaid Expenses	7,933	-	-	7,933
Other	397	-	-	397
Equipment and Furnishings	-	-	<u>\$ 97,719</u>	<u>97,719</u>
Total Assets	<u>\$ 622,261</u>	<u>\$ 224,580</u>	<u>\$ 97,719</u>	<u>\$ 944,560</u>

See accompanying notes to financial statement

Twenty - Second Judicial District Indigent Defender Board

Combined Balance Sheets - All Fund Types and Account Group

December 31, 1998

	<u>General Fund</u>	<u>Special Revenue Grant Fund</u>	<u>General Fixed Asset Account Group</u>	<u>Total (Memo Only)</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 551	-	-	\$ 551
Accrued Liabilities	40,011	-	-	40,011
Deferred Revenue	<u>66,061</u>	<u>150,000</u>	<u>-</u>	<u>216,061</u>
Total Liabilities	<u>106,623</u>	<u>150,000</u>	<u>-</u>	<u>256,623</u>
<u>Fund Balances:</u>				
Investment in General Fixed Assets	-	-	\$ 97,719	97,719
Fund Balance - Unreserved, Undesignated	515,638	-	-	515,638
Fund Balance - Designated for Grant	<u>-</u>	<u>74,580</u>	<u>-</u>	<u>74,580</u>
Total Fund Balances and Investment in General Fixed Assets	<u>515,638</u>	<u>74,580</u>	<u>97,719</u>	<u>687,937</u>
Total Liabilities and Fund Balances	<u>\$ 622,261</u>	<u>\$ 224,580</u>	<u>\$ 97,719</u>	<u>\$ 944,560</u>

See accompanying notes to financial statement

Twenty-Second Judicial District Indigent Defender Board

Combined Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds

For The Year Ended December 31, 1998

	<u>General Fund</u>	<u>Special Revenue Grant Fund</u>	<u>Total (Memo Only)</u>
Revenue:			
Court Costs	\$ 609,309	\$	609,309
Grant Funds		\$ 174,999	174,999
Probation Fees	66,972		66,972
Bail Bond Fees	63,514		63,514
Other	<u>45,321</u>		<u>45,321</u>
Total Revenue	<u>785,116</u>	<u>174,999</u>	<u>960,115</u>
Expenditures:			
Payroll	844,627	191,002	1,035,629
Investigative		17,222	17,222
Office Furniture and Equipment	4,857	7,293	12,150
Telephone	15,488		15,488
Insurance	14,479		14,479
Attorney Fees	10,209		10,209
Office Supplies	14,177	135	14,312
Travel	9,084	2,449	11,533
Law Library	10,252		10,252
Seminar Expense	8,008	893	8,901
Accounting and Legal	6,542	1,351	7,893
Rent	8,114		8,114
Utilities	7,615		7,615
Officer	<u>4,006</u>		<u>4,006</u>
Total Expenditures	<u>957,458</u>	<u>220,345</u>	<u>1,177,803</u>
Deficiency of Revenue over Expenditures	(172,342)	(45,346)	(217,688)
Fund Balance:			
Beginning of Year	<u>687,980</u>	<u>119,926</u>	<u>807,906</u>
End of Year	\$ <u>515,638</u>	\$ <u>74,580</u>	\$ <u>590,218</u>

See accompanying notes to financial statement

Twenty-Second Judicial District Indigent Defender Board

Statement of Revenues, Expenditures and Changes in Fund Balance --
 General Fund
 Budget to Actual

For The Year Ended December 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Court Costs	\$ 649,674	\$ 609,309	\$ (40,365)
Grant Funds	30,000	-	(30,000)
Probation Fees	68,076	66,972	(1,104)
Bail Bond Fees	68,872	63,514	(5,358)
Other	<u>12,283</u>	<u>45,321</u>	<u>33,038</u>
Total Revenue	<u>828,905</u>	<u>785,116</u>	<u>(43,789)</u>
Expenditures:			
Payroll	805,807	844,627	(38,820)
Investigative	10,000	-	10,000
Office Furniture and Equipment	17,000	4,857	12,143
Telephone	10,000	15,488	(5,488)
Insurance	62,000	14,479	47,521
Attorney Fees	10,000	10,209	(209)
Office Supplies	14,200	14,177	23
Travel	10,000	9,084	916
Library	8,000	10,252	(2,252)
Seminar Expense	9,000	8,008	992
Accounting and Legal	4,000	6,542	(2,542)
Rent	8,300	8,114	186
Utilities	7,300	7,615	(315)
Other	<u>4,700</u>	<u>4,006</u>	<u>694</u>
Total Expenditures	<u>980,307</u>	<u>957,458</u>	<u>22,849</u>
Deficiency of Revenue over Expenditures	(151,402)	(172,342)	(20,940)
Fund Balance:			
Beginning of Year	<u>687,980</u>	<u>687,980</u>	-
End of Year	\$ <u>536,578</u>	\$ <u>515,638</u>	\$ (20,940)

See accompanying notes to financial statement

Twenty-Second Judicial District Indigent Defender Board

Notes to the Combined Financial Statements

For the Year Ended December 31, 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Twenty-Second Judicial District Indigent Defender Board, established in compliance with Louisiana Revised Statutes 15:144-149, provides counsel to represent indigents (needy individuals) in criminal and quasi-criminal cases at the district level. The judicial district encompasses the parishes of Washington and St. Tammany, Louisiana.

The District's Board is composed of five members who are appointed by the district court. The board members serve without compensation.

Revenues to finance the board's operations are provided primarily from court costs on fines imposed by the various courts within the district.

A. Basis of Presentation

The accompanying financial statements of the Twenty-Second Judicial District Indigent Defender Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the acceptable standard-setting body for establishing governmental accounting and financial reporting principles.

Twenty-Second Judicial District Indigent Defender Board

Notes to the Combined Financial Statements

For the Year Ended December 31, 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity

For financial statement reporting purposes, in conformance with GASB Codification section 2100, the indigent defender board is a part of the district court system of the State of Louisiana. However, the state statues that create the boards also give each of the boards control over all their operations. This includes the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. The indigent defender board is financially independent and operates autonomously from the State of Louisiana and independently from the district court system. Therefore, the board reports as an independent reporting entity, and the financial statements include only the transactions of the Twenty-Second Judicial District Indigent Defender Board.

C. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The board uses two funds and one account group to report the Board's financial position and the result of its operations. A special revenue fund (grant fund) reports all transactions for grant monies. The general fund reports all transactions of the organization other than those funds to be used for a purpose specified by law or agreement.

Twenty-Second Judicial District Indigent Defender Board

Notes to the Combined Financial Statements

For the Year Ended December 31, 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

The modified accrual basis of accounting is used by the General Fund. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement presents increases and decreases in net current assets. The General Fund uses the following practices in recording revenues and expenditures:

Revenues

Court costs on fines and forfeitures imposed by the district and city courts are recorded in the year they are collected by the contributing agencies under Revised Statutes 144-149. Fees from indigents are recorded when received. Interest income is accrued when earned. All other revenues and grants are recorded when earned.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. Budget Practices

The indigent defender board is not required by law to adopt an annual budget. However, the board prepared a budget for the General Fund on the modified accrual basis of accounting. The general fixed asset account group is used to keep track of all assets owned by the district which are not obsolete.

Twenty-Second Judicial District Indigent Defender Board

Notes to the Combined Financial Statements

For the Year Ended December 31, 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budget Practices (Continued)

This budget was integrated into the accounting records and employed as a management control device. Budget comparisons were presented to the board at the quarterly meetings. The board does not use encumbrance accounting, and appropriations lapse at the end of each year.

F. Cash

Cash includes amounts in demand deposits and interest-bearing demand deposits. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

G. Accounts Receivable

Receivables for probation fees are fees imposed by the courts as a condition of probation and are reported net of uncollectible amounts. Traditionally, collection of these fees is highly questionable. Accordingly, the entire amount is treated as a deferred revenue. These fees will be included in revenue when collected. Collection is assured for receivables for court costs on fines and forfeitures and bail bond fees, these fees are recognized as revenue when earned.

H. Grants

All grants are reported as special revenue funds. The district has one grant at December 31, 1998 from the State of Louisiana Indigent Defender Board's District Assistance Fund.

Twenty-Second Judicial District Indigent Defender Board

Notes to the Combined Financial Statements

For the Year Ended December 31, 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. General Fixed Assets Account Group

The general fixed assets of the indigent defender board are recorded as expenditures at the time of purchase on the general fund. The fixed assets are recorded at historical cost in the general fixed asset account group. No depreciation has been provided on general fixed assets.

This account group is not a fund. It is concerned only with measurement of financial position, not with measurement of results of operations.

J. Compensated Absences

The indigent defender board has 18 employees who earn varying amounts of vacation and sick leave each year. Employees can not accrue sick leave, however, vacation leave may be accrued and used to supplement sick leave in the event of catastrophic illness. Therefore, there is no liability for accumulated sick leave relating to the General Fund, but vacation may accrue up to a maximum of 30 days. Any vacation days over 30 must be used in the current year or will be lost at year end.

K. Total Column on Balance Sheet

The total column on the balance sheet and statement of revenues and expenditures is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Twenty-Second Judicial District Indigent Defender Board

Notes to the Combined Financial Statements

For the Year Ended December 31, 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Budget Monitoring

The district is not legally required to adopt a budget.

M. Use of Estimates

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

NOTE 2. CASH AND CASH EQUIVALENTS

The District may deposit funds with a fiscal agent bank and certain other financial institutions. The District may also invest in time deposits or certificates of deposit.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved.

At December 31, 1998 all of the District's cash accounts were covered by federal deposit insurance or identified as securities held in the bank's custody and designated to cover the District's balances.

Twenty-Second Judicial District Indigent Defender Board

Notes to the Combined Financial Statements

For the Year Ended December 31, 1998

NOTE 3. FURNITURE AND FIXTURES

The district's furniture and fixtures consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Employment	\$ <u>94,646</u>	<u>3,023</u>	<u>-</u>	\$ <u>97,719</u>

There is no depreciation expense recorded in the general fixed asset account group.

NOTE 4. CONCENTRATIONS

The majority of revenue earned by the district comes from the Parish of St. Tammany and the City of Slidell in the form of court costs.

NOTE 5. OPERATING LEASE

On January 1, 1999, the District entered into a lease in Washington Parish for office space under a non-cancelable lease agreement for its general operations. The district has the option to lease the building till December 2005. There are two renewal periods - each with a five year term. Future payments required under the first term is as follows:

1999	\$ 10,800
2000	10,800
2001	10,800
2002	10,800
2003	<u>10,800</u>
Total	\$ <u>54,000</u>

The present lease for the St. Tammany Parish location has a two year term remaining. The District anticipates terminating this lease sometime in the later part of 1999.

Total Rent Expense for the year ended December 31, 1998 total \$8,114

SUPPLEMENTARY INFORMATION



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

Board of Directors
Twenty-Second Judicial District
Indigent Defender Board
639 Theard Street
Covington, LA 70453

We have audited the financial statements of the Twenty-Second Judicial District Indigent Defender Board as of and for the year ended December 31, 1998, and have issued our report thereon dated April 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the Twenty-Second Judicial District Indigent Defender Board financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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.

This report is intended for the information of the Legislative Auditor of the State of Louisiana, the Board of the District, management of the district and state awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Malcolm M. Dienes and Company

Malcolm M. Dienes & Co.

April 22, 1999

Twenty-Second Judicial District Indigent Defender Board

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 1998

We have audited the financial statements of Twenty-Second Judicial District Indigent Defender Board as of and for the year ended December 31, 1998 and have issued our report thereon dated April 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 1998 resulted in an unqualified opinion.

Section 1 Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses	<u> </u>	Yes	<u> x </u>	No
Reportable Conditions	<u> </u>	Yes	<u> x </u>	No

Compliance

Compliance Material to Financial Statements	<u> </u>	Yes	<u> x </u>	No
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b. Federal Awards

The Twenty-Second Judicial District Indigent Defender Board expended no federal funds for the year ended December 31, 1998.

Section II Financial Statement Findings

There were no findings required to be reported for the year ended December 31, 1998.

Section III Federal Award Findings and Questioned Costs

There were no findings required to be reported for the year ended December 31, 1998.

Twenty-Second Judicial District Indigent Defender Board

Status of Prior Year Findings and Questioned Costs

For the Year Ended December 31, 1998

Part II Financial Findings

#97-1 Segregation of Duties – Comment Resolved

Twenty-Second Judicial District Indigent Defender Board

Management Corrective Action Plan

For the Year Ended December 31, 1998

There were no findings or management letter comments to respond to for the year ended December 31, 1998.