

**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
STATE OF LOUISIANA**

**Basic Financial Statements  
and Independent Auditors' Reports**

**As of and for the Year Ended June 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 9.1.04

**STATE PLUMBING BOARD OF LOUISIANA**  
**2714 CANAL STREET, SUITE 512**  
**NEW ORLEANS, LOUISIANA 70119**  
**(504) 826-2382**

**GOVERNING BOARD**

As of June 30, 2004

James C. Finley  
Jack E. Hicks  
James R. Osborne, Jr.  
Robert Rolston  
Linden Raimer

Don Traylor, Executive Director

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## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Board Members of  
State Plumbing Board of Louisiana  
Department of Labor  
State of Louisiana  
New Orleans, Louisiana

We have audited the accompanying basic financial statements of the **State Plumbing Board of Louisiana**, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, as listed in the Table of Contents. These basic financial statements are the responsibility of **State Plumbing Board of Louisiana** management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the **State Plumbing Board of Louisiana**, as of June 30, 2004, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**The State Plumbing Board of Louisiana** has not presented the Management's Discussion and Analysis for the business type activity - licensing enterprise fund, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004, on our consideration of the **State Plumbing Board of Louisiana's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an

integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Leroy J. Chustz*  
Certified Public Accountant, APAC  
August 20, 2004

*Beverly A. Ryall*  
Certified Public Accountant

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Proprietary Fund Financial Statements:
  - Enterprise funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
PROPRIETARY FUND - ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

**ASSETS**

*Current Assets*

Cash and cash equivalents	\$ 300,463.35
Receivables	11,987.32
Prepaid expenses	<u>2,663.88</u>
<b>Total Current Assets</b>	<u>315,114.55</u>

*Noncurrent Assets*

Vehicles	20,284.00
Equipment	5,803.00
Accumulated depreciation	<u>(13,331.40)</u>
<b>Total noncurrent assets</b>	<u>12,755.60</u>

**TOTAL ASSETS**

327,870.15

**LIABILITIES**

*Current Liabilities*

Accounts payable	4,286.94
Payroll deductions and accruals	18,930.44
Deferred revenues	<u>12,350.00</u>
<b>Total Current Liabilities</b>	<u>35,567.38</u>

*Noncurrent Liabilities*

Compensated absences	<u>20,521.12</u>
<b>Total Noncurrent Liabilities</b>	<u>20,521.12</u>

**TOTAL LIABILITIES**

56,088.50

**NET ASSETS**

Investment in capital assets	12,755.60
Unrestricted	<u>259,026.05</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 271,781.65</u>

The accompanying notes are an integral part of this statement.

**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
PROPRIETARY FUND - ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
YEAR ENDED JUNE 30, 2004**

*OPERATING REVENUES:*

Charges for services -	\$ 414,092.00
Licenses	104,475.00
Examination fees	80,239.96
Enforcement actions	<u>7,525.00</u>
Temporary permits	<u>606,331.96</u>
<b>Total Operating Revenues</b>	<b><u>606,331.96</u></b>

*OPERATING EXPENSES:*

Personal services -	7,950.00
Commissioners per diem	348,015.00
Salaries	71,796.20
Employee benefits	65,427.69
Travel	97,685.47
Operating services	18,180.83
Supplies	70,118.06
Professional services	<u>5,217.40</u>
Depreciation expense	<u>684,390.65</u>
<b>Total Operating Expenses</b>	<b><u>684,390.65</u></b>

<b>Operating Income (Loss)</b>	<u>(78,058.69)</u>
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*NONOPERATING REVENUES:*

Interest earnings	2,078.69
Other revenues	<u>1,387.95</u>
<b>Total Nonoperating Revenues</b>	<b><u>3,466.64</u></b>

<i>Increase (Decrease) in net assets</i>	<u>(74,592.05)</u>
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<i>NET ASSETS AT JUNE 30, 2003</i>	<u>346,373.70</u>
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<i>NET ASSETS AT JUNE 30, 2004</i>	<b><u>\$ 271,781.65</u></b>
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The accompanying notes are an integral part of this statement.

**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
PROPRIETARY FUND - ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 591,241.25
Cash payments to suppliers for goods and services	250,534.85
Cash payments to employees for services	<u>418,811.79</u>
Net cash provided (used) by operating activities	<u>(78,105.39)</u>
<b>Cash flows from non-capital financing activities</b>	
Interest earnings	1,889.95
Other revenues	<u>1,387.95</u>
Net cash provided (used) by non-capital financing activities	<u>3,277.90</u>
<b>Cash flows from capital and related financing</b>	
Purchases of capital assets	<u>(5,803.00)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,803.00)</u>
Net increase (decrease) in cash and cash equivalents	(80,630.49)
Cash and cash equivalents at beginning of year	<u>381,093.84</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 300,463.35</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating</b>	
Operating income (loss)	\$ (78,058.69)
Adjustments to reconcile operating income (loss) to net cash	
Depreciation	5,217.40
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(7,390.71)
(Increase) decrease in prepayments	2,268.30
Increase (decrease) in accounts payable	(1,391.10)
Increase (decrease) in accrued payroll and related benefits	7,140.33
Increase (decrease) in compensated absences payable	1,809.08
Increase (decrease) in deferred revenues	<u>(7,700.00)</u>
Net cash provided (used) by operating activities	<u><u>\$ (78,105.39)</u></u>

The accompanying notes are an integral part of this statement.

**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
STATE OF LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.A. INTRODUCTION**

The State Plumbing Board of Louisiana was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:1361-1380. The Board is under the control of the Department of Labor and a component unit of the State of Louisiana and is an integral part of such reporting entity. The Board is composed of eight (8) members appointed by the Governor of Louisiana for a term of six years. The Board consists of one registered engineer, one plumbing inspector, three master plumbers, and three journeyman plumbers. Each appointment is made from a list of three names for each appointment submitted by the following:

1. The registered engineer and the plumbing inspector by the president of the Louisiana State Board of Health;
2. Master plumbers by the Louisiana Association of Plumbing, Heating and Cooling Contractors of Louisiana or its successors;
3. Journeymen plumbers by the Louisiana Pipe Trades Association or its successor.

The Board elects from its members a chairman, a vice chairman and a secretary-treasurer for two year terms; the election to be held within thirty days of July 1 in each odd-numbered year. The chairman shall vote only in a case of a tie.

As authorized by Louisiana Revised Statute 37:1364, each member of the Board shall be reimbursed when actually in attendance at a board meeting or when required to travel for the official authorized business of the board, and such reimbursement shall not exceed \$75.00 per day plus actual expenses. Mileage to and from the member's domicile to the place of meeting or when otherwise required to travel for official authorized business of the board shall be reimbursed at the rate set by the Division of Administration for state employees pursuant to L.R.S. 39:231.

The Board is charged with the responsibility of licensing and regulating any person engaged in the following trades or businesses in the State of Louisiana:

- plumbing installation or plumbing work of any character (journeyman plumber)
- business of a master plumber
- apprentice plumber
- installing piping used solely to transport gases for medical purposes

The Board's office is located in New Orleans, Louisiana, and employs 2 administrative personnel. The Board's operations are funded entirely through annual self-generated revenues.

**1.B. FINANCIAL REPORTING ENTITY**

GASB Statement No. 14, "The Financial Reporting Entity," has defined the governmental reporting entity to be the State of Louisiana. The State Plumbing Board of Louisiana is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the board members, and public service is rendered within the state's boundaries. The accompanying basic financial statements present information only as to the transactions of the State Plumbing Board of Louisiana, a component unit of the State of Louisiana.

**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
STATE OF LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

Annually the State of Louisiana issues a basic financial statement which includes the activity contained in the accompanying financial statement. The basic financial statement is issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

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**1.C. BASIS OF PRESENTATION**

*Proprietary Fund Financial Statements*

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**1.D. ASSETS, LIABILITIES AND NET ASSETS**

*Cash and Cash Equivalents, Investments*

For the purpose of the Statement of Net Assets, and Statement of Cash Flows, cash and cash equivalents include all demand, savings accounts, and certificates of deposits of the Board with an original maturity of 90 days or less.

Investments are carried at fair value. Fair value is based on quoted market price.

*Receivables*

Receivables consist of all revenues earned at year-end and not yet received. Material receivables include accruals for licenses, permits and examination fees and interest which are accrued when earned.

*Prepays*

Prepays reflect payments to vendors that benefit future reporting periods and are also reported on the consumption basis.

*Capital Assets and Depreciation*

Proprietary fund fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost or donated value of \$5,000 or more are recorded at historical cost, or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
STATE OF LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Revenues, Expenses, and Changes in Fund Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Automobile	5 years
Equipment	5 years

Compensated Absences

Employees of the Board earn and accumulate vacation and sick leave at varying rates, depending upon their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The liability for these compensated absences is recorded as long-term debt in the proprietary fund statements. The current portion of this debt can not be estimated and accordingly, it is reported as a noncurrent liability.

Equity Classifications

Equity is classified as net assets and may be displayed in three components:

- a. Investment in Capital Assets— Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “investment in capital assets.

**1.E. REVENUES AND EXPENSES**

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
STATE OF LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 2. - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a state agency, the Board is subject to various state laws and regulations. An analysis of the Board's compliance with significant laws and regulations and demonstration of its stewardship over Board resources follows.

**2.A. FUND ACCOUNTING REQUIREMENTS**

The Board complies with all state laws and regulations requiring the use of separate funds. The Board has no legally required separate funds.

**2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of the Board in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Louisiana or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Board must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized.

Investments are limited by R.S. 39:327 and the Board's investment policy.

**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenses.

**3.A. CASH AND INVESTMENTS**

*Deposits*

The table presented below is designed to disclose the level of custody credit risk assumed by the Board based upon how its deposits were insured or secured with collateral at June 30, 2004. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Board or by its agent in its name

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Board's name; or collateralized with no written or approved collateral agreement

**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
STATE OF LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Demand deposits	\$ 62,663	\$ 62,663			\$ 45,587
Certificates of Deposit	254,628	100,000		\$ 154,628	254,666
<b>Total Deposits</b>	<b>\$ 317,291</b>	<b>\$ 162,663</b>		<b>\$ 154,628</b>	<b>\$ 300,253</b>

Reconciliation to Government-wide Statement of Net Assets:

Petty cash	\$ 211
Unrestricted cash	45,587
Certificates of Deposit	254,666
<b>Total Cash and Certificates</b>	<b>\$ 300,464</b>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 49:321 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Board that the fiscal agent has failed to pay deposited funds upon demand.

**3.B. ACCOUNTS RECEIVABLE**

Receivables detail at June 30, 2004, is as follows:

Refunds on overpayments	\$ 6,840
NSF Checks	3,155
Travel reimbursement	140
Other	1,013
Employees	651
Accrued interest	188
<b>Total receivable</b>	<b>\$ 11,987</b>

**3.C. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2004, was as follows:

	<u>Balance at June 30, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2004</u>
Capital Assets, being depreciated				
Equipment	\$ 20,284	\$ 5,803		\$ 26,087
Less accumulated depreciation	(8,114)	(5,217)		(13,331)
Total Equipment	12,170	586		12,756
<b>Total Capital Assets, being depreciated</b>	<b>\$ 12,170</b>	<b>\$ 586</b>		<b>\$ 12,756</b>

**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
STATE OF LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**3.D. ACCOUNTS PAYABLE**

Payables are composed of payables to vendors (18%) and accrued salaries and benefits (82%).

**3.E. DEFERRED REVENUE**

Deferred revenues associated with examination fees which are collected prior to test dates. The fees are considered earned upon the administration of the test.

**3.F. LONG-TERM DEBT**

As of June 30, 2004, the long-term debt of the Board consists of the following:

Accrued Compensated Absences:

Current portion (not determinable)	\$	0
Noncurrent portion		<u>20,521</u>
Total Long -Term Debt	<u>\$</u>	<u>20,521</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

Type of Debt	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
Accrued Compensated Absences	\$ 18,712	\$ 4,483	\$ 2,674	\$ 20,521
Total Long -Term Debt	<u>\$ 18,712</u>	<u>\$ 4,483</u>	<u>\$ 2,674</u>	<u>\$ 20,521</u>

**NOTE 4. - OTHER NOTES**

**4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

Pension Plan

Substantially all of the employees of the Board are members of the Louisiana State Employees Retirement System ("System"), a cost sharing, multiple-employer, defined benefit public employee retirement system (PERS) controlled and administered by a separate board of trustees.

All full time employees are eligible to participate in the System. Benefits vest with ten years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 month average salary multiplied by their years of credited service.

**STATE PLUMBING BOARD OF LOUISIANA**  
**DEPARTMENT OF LABOR**  
**STATE OF LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with thirty years of service, (b) age 55 with twenty-five years of service, and (c) at age sixty with ten years of service. In addition, vested employees have the option of reduced benefits at any age with twenty years of service. The System also provides death and disability benefits. Benefits are established by state statute. The system issues an annual

publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees' Retirement System; P. O. Box 44213; Baton Rouge, LA 70804 or by calling (800)256-3000.

Members are required by state statute to contribute at 7.5% of gross salary. The Board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for fiscal year ended June 30, 2004 increased to 15.8% of annual covered payroll from the 14.1% in fiscal years ended June 30, 2003 and 2002 respectively. The board contributions to the System for the year ending June 30, 2004, 2003 and 2002 are \$37,260, \$29,642, and \$24,734 respectively, equal to the required contributions for that year.

Post Employment Health Care and Life Insurance Benefits

Substantially all Board employees become eligible for post employment health care, dental, and life insurance benefits if they reach normal retirement age while working for the Board. These benefits for retirees and similar benefits for active employees are provided through the insurance company whose premiums are paid jointly by the employee and the Board. The Board recognizes the cost of providing these benefits as an expenditure when paid during the year. For the year ended June 30, 2004, the cost of providing those benefits for one retiree totaled \$6,786.

Deferred Compensation Plan

Certain employees of the Board participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

**4.B. ESTIMATES**

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

**4.C. RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employee health and life; and natural disasters. The Board manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk Retained</u>
Torts, errors and omissions	Purchased insurance with Louisiana Office of Risk Management public entity risk pool	None
Injuries to employees (Workers' compensation)	Participates in Louisiana Office of Risk Management public entity risk pool	None
Physical property loss and natural disasters	Purchased insurance with Louisiana Office of Risk Management public entity risk pool	None



**STATE PLUMBING BOARD OF LOUISIANA  
DEPARTMENT OF LABOR  
STATE OF LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

<u>Commissioner</u>	<u>No. of Days</u>	<u>Amount</u>
Keith Bienvenu	12	\$ 900
James Finley	23	1,725
Johnny Gypin	3	225
Jack Hicks	10	750
Rick Lanier	1	75
James Osborne, Jr.	7	525
Linden Raimer	6	450
Robert Rolston	38	2,850
Robert Jaeger, II	6	450
Total		<u>\$ 7,950</u>

**OTHER REPORTS REQUIRED BY**  
*GOVERNMENT AUDITING STANDARDS*

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board Members of  
State Plumbing Board of Louisiana  
Department of Labor  
State of Louisiana  
New Orleans, Louisiana**

We have audited the basic financial statements of the State Plumbing Board of Louisiana, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

*Compliance*

As part of obtaining reasonable assurance about whether the State Plumbing Board of Louisiana's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and the *Louisiana Governmental Audit Guide* see finding number 2004-1 and 2004-2 on the schedule of findings.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the State Plumbing Board of Louisiana's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 basic 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. However, we noted other matters involving the internal control over financial reporting, which we have reported in the accompanying findings report under finding 2004-3.

This report is intended for the information and use of the State Plumbing Board of Louisiana and its management, the Louisiana Legislative Auditor, the State of Louisiana and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Leroy J. Chustz*

Certified Public Accountant, APAC  
August 20, 2004

*Beverly A. Ryall*

Certified Public Accountant

**STATE PLUMBING BOARD OF LOUISIANA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of State Plumbing Board of Louisiana.
2. Several reportable conditions were disclosed during the audit of the basic financial statements.
3. Two instance of noncompliance was disclosed during the audit of the basic financial statements.
4. There were no federal awards received by State Plumbing Board of Louisiana.

**B. FINDINGS--FINANCIAL STATEMENTS AUDIT**

**COMPLIANCE -**

**2004-1 Louisiana Compliance Questionnaire**

**Criteria -**

The Louisiana Governmental Audit Guide requires the Plumbing Board to complete the Louisiana Compliance Questionnaire, and that the completed questionnaire be presented to and adopted by the Plumbing Board at a public meeting.

**Condition -**

A compliance questionnaire was completed by Plumbing Board staff however, the document was not presented to nor adopted by the Board in a public meeting

**Effect -**

The Board did not comply with the provisions of the Louisiana Governmental Audit Guide.

**Cause -**

Unknown

**Recommendation -**

The Executive Director of the Plumbing Board should assign the responsibility to an individual and monitor the completion of the task.

## **2004-2 Management's Discussion and Analysis**

### **Criteria -**

**Each government issuing financial statements under the requirements of Governmental Standards Board Statement 34 is required to prepare Management's Discussion and Analysis. Additionally, under state law, the Plumbing Board is required to prepare an Annual Financial Report which is to be submitted to the State of Louisiana and to become part of the audit reporting package.**

### **Condition -**

**The Plumbing Board did not have available the required MD&A and the Annual Financial Reporting package at the time of the issuance of the audited financial statements.**

### **Effect -**

**The Board did not comply with the provisions of the state law.**

### **Cause -**

**Unknown**

### **Recommendation -**

**The Executive Director of the Plumbing Board should assign the responsibility to an individual and monitor the completion of the task.**

## **CONTROLS**

### **2004-3 Inadequate Controls and Supervision**

#### **Criteria -**

**We noted numerous instances of failures in the accounting and control systems. The bank reconciliation carried several small old checks which were not properly disposed of. Receivable and payable control accounts were not balanced to subsidiary ledgers.**

**Petty cash was not adequately controlled. Late payment of employee health insurance premiums. Re-issuance of "lost" checks without putting a stop payment on the original check at the bank. Officially signed checks which had been voided in the accounting system but the check itself was not defaced in any way.**

#### **Condition -**

**The system of controls is not adequate for the needs of the Board. Accounting personnel must consistently perform required tasks in a proficient and timely manner. Persons responsible for supervision should review the progress of the accounting department.**

#### **Effect -**

**The Board is exposed to losses and failures to comply with applicable requirements due to inadequate supervision and failures by accounting personnel.**

**Cause -**

**Unknown**

**Recommendation -**

**The Executive Director of the Plumbing Board should develop a strategy for addressing these deficiencies and assign the responsibilities to an individual and monitor the progress in addressing these issues.**

**Management's Corrective Action Plan was not available at the time of the release of this audit.**

**STATE PLUMBING BOARD OF LOUISIANA  
RESOLUTION OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2004**

**2003-1 REIMBURSEMENT FOR TRAVEL IN EXCESS OF ALLOWABLE**

**COMPLIANCE**

**2003-1 Reimbursement for Travel in Excess of Allowable**

**Criteria -**

State Agencies are required to adhere to the provisions of Policy and Procedure Memorandum (PPM) 49 issued by the Office of the Governor, Division of Administration.

**Condition -**

A member of the Plumbing Board and the Executive Director attended a conference in Fort Worth, Texas. Travel guidelines allow a maximum of \$170.00 per round trip ticket from New Orleans to Fort Worth. The Board reimbursed a total of \$480.00 for two travelers.

**Effect -**

The Board reimbursed travel by and excess of \$140.00

**Cause -**

The Board was not aware that PPM 49 was applicable to Board Member travel.

**Recommendation -**

The Executive Director of the Plumbing Board does not fully agree with this finding and we therefore suggest that the Plumbing Board seek an Attorney General's Opinion to clarify the applicability of PPM 49 to the State Plumbing Board.

**CURRENT YEAR STATUS -**

The Board decided to no longer use private aircraft for travel. Further, the Board reaffirmed that all future travel will be in compliance with state travel rules.